

## **Manchester City Council Report for Resolution**

**Report to:** Executive – 13 February 2019  
Resources and Governance Scrutiny Committee – 25 February 2019

**Subject:** Medium Term Financial Plan 2019/20

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

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### **Purpose of the Report**

This report sets out the budget proposals for 2019/20 based on the outcome of the Provisional 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 2019/20. 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 2019/20 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:

- (i) Note that the financial position has been based on the Final Local Government Finance Settlement confirmed on 29 January 2019;
- (ii) 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;
- (iii) Consider the detailed reports from individual Strategic Directors elsewhere on this agenda (Directorate Business Plans) 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 2019/20;
- (iv) Note the anticipated financial position for the Authority for the period 2018/19 to 2019/20 which is based on all proposals being agreed;
- (v) Note that the Capital Strategy and Budget 2018/19 -2023/24 will be presented alongside this report;
- (vi) Note the City Treasurer's review of the robustness of the estimates and the adequacy of the reserves, this is covered in more detail in the Budget 2019/20 Covering Report elsewhere on the agenda;
- (vii) Make specific recommendations to Council to approve for 2019/20:
  - a. an increase in the basic amount of Council Tax (i.e. the City's element of council tax) by 3.49% (including 1.5% for adult social care);

- b. the contingency sum of £1.6m;
  - c. the inflationary pressures and budgets to be allocated sum of £9.945m (as shown in table 14); and delegate the final allocations to the City Treasurer in consultation with the Executive Member for Finance and Human Resources. The MHCC elements of these costs have been included in the Pooled Budget and are subject to draw down in consultation with MHCC Finance Committee which will include consultation with the Executive Member for Finance and Human Resources;
  - d. corporate budget requirements to cover levies / charges of £70.090m, capital financing costs of £44.507m, additional allowances and other pension costs of £10.030m and insurance costs of £2.004m;
  - e. the estimated utilisation of £8.596m in 2019/20 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 position on reserves as identified in the report and in Appendix 3 subject to the final call on reserves after any changes are required to account for final levies etc.
- (viii) Approve that delegated authority be given to the City Treasurer and Chief Executive to agree the use of the Adult Social Care Reserve, Social Care Reserve and Our Manchester Reserve in conjunction with Executive Members for Finance and Human Resources, Children's Services and Adult, Health and Wellbeing;
- (ix) Approve the Directorate cash limits as set out in paragraph 74;
- (x) Approve the in principle contribution to the MHCC Section 75 (S75) Pooled Budget subject to the approval of the S75 agreement at March Executive;
- (xi) Approve that delegated authority be given to the 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; and
- (xii) Note that there is a requirement on the authority to provide an itemised council tax bill which, on the face of the bill, informs tax payers 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.

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**Wards Affected:** All

Our Manchester Strategy Outcomes	Summary of the contribution to the strategy
A thriving and sustainable city: supporting a diverse and distinctive	This report considers the medium term financial strategy for 2019/20 that will

economy that creates jobs and opportunities.	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.

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### **Financial Consequences – Revenue**

The City Council remains committed to the three-year budget strategy established two years ago. 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 2019/20 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 2019/20 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 2019/20

The latest financial position for 2018/19 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.

Updated Financial Strategy 2019/20 report to Executive 16 January 2019  
<https://democracy.manchester.gov.uk/ieListDocuments.aspx?CId=147&MId=291&Ve r=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&Ve r=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](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 2017, 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>

## **Section 1 - Introduction**

1. This report sets out the current financial assumptions for the City Council for 2019/20 which is the last year of the government's multi-year finance settlement.
2. The financial considerations contained within this report are based on the Provisional Local Government Finance Settlement issued on 13 December 2018 which covered the final year of the four year finance settlement. The final settlement was published on 29 January 2019. There were no changes affecting Manchester.
3. Executive are asked to consider the budget proposals in this report alongside the feedback from Scrutiny meetings to make recommendations on what should be included in the revised budget.

## **Section 2 - Background and Context**

4. The priorities for the Manchester Capital and Revenue Strategies stem from the 'Our Manchester' Strategy. Our Manchester represents both the long-term strategy for the city and is at the core of how that strategy is delivered. The underpinning principles have been developed to fundamentally change the way that services are delivered and a shift in the relationship between the Council and the people of Manchester. The vision remains for Manchester to be in the top flight of world class cities. It will be a City:
  - where residents from all backgrounds feel safe, can aspire, succeed and live well
  - that is connected, internationally and within the UK
  - with a competitive, dynamic and sustainable economy that draws on its distinctive strengths in science, advanced manufacturing, culture, creative and digital business to cultivate and encourage new ideas
  - with highly skilled, enterprising and industrious people
  - that plays its full part in limiting the impacts of climate change
  - that is clean, attractive, culturally rich, outward-looking and welcoming.
5. This has set the framework for the Medium Term Financial Plan (Revenue) and Capital Strategy. In 2017/18 a three-year Revenue Budget Strategy (2017-2020) and a five-year Capital Strategy (2018-2023) were agreed. These set out investment priorities which include support for the City's vulnerable adults and children as well as neighbourhoods including investment in housing, schools and cultural and leisure facilities together with the City's longer term prosperity through economic growth.
6. The development of the three-year financial strategy for 2017-20 followed consultation with Manchester people on what services matter most to them. The budget set was aligned to the Our Manchester Strategy and 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.
7. The covering report elsewhere on the agenda sets out the context for the budget and draws on the Council's Corporate Plan which was launched in Autumn 2018 and sets out the 15 key priorities that underpin the Council's budget and business plans.
  8. 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.

#### The Medium Term Financial Plan

9. This report sets out the latest financial position and what has changed in the Medium Term Financial Strategy. This is in the context of agreed priorities with residents, the latest financial position including any recent funding announcement and the Council's statutory duties.
10. The original budget covering 2018/19 and 2019/20 was approved by Council on 2 March 2018. However, whilst the overall strategic direction has not changed since that time it is necessary to revisit the financial position. The resources have been refreshed in the context of the City's growing business and residential base and being part of the 100% business rates growth retention pilot, the 2019 Autumn Statement and 2019/20 Finance Settlement including the additional Social Care grants which were announced after the three year strategy was set. Alongside this 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.
11. This report sets out proposals to address those issues
12. The structure of the report is as follows:
  - Section 1: Introduction
  - Section 2: Background and Context
  - Section 3: Financial Context
  - Section 4: Updated Savings Proposals
  - Section 5: Overall Financial Position
  - Section 6: Underpinning Financial Assumptions
  - Section 7: Financial Reserves
  - Section 8: Workforce Implications
  - Section 9: Consultation

- Section 10: Conclusion

### **Section 3 - Financial Context**

#### **Original Financial Position 2018/19 to 2019/20**

13. The table below shows the 2018/19 and 2019/20 budget as approved at March 2018 Council.

**Table 1 – Budget per approved MTFP as at March 2018**

	2018 / 19 £'000	2019 / 20 £'000
<b>Resources Available</b>		
Business Rates Related Funding	324,753	320,195
Council Tax	154,070	161,723
Other non ring fenced Grants	35,809	39,662
Dividends and Use of Airport Reserve	53,342	53,342
Use of other Reserves	8,188	4,490
<b>Total Resources Available</b>	<b>576,162</b>	<b>579,412</b>
<b>Resources Required</b>		
<i>Corporate Costs:</i>		
Levies/Charges	68,045	68,862
Contingency	3,103	2,100
Capital Financing	44,582	44,582
Transfer to Reserves	7,181	3,409
<i>Sub Total Corporate Costs</i>	<i>122,911</i>	<i>118,953</i>
<i>Directorate Costs:</i>		
Additional Allowances and other pension costs	10,003	10,183
Insurance Costs	2,004	2,004
Directorate Budgets	437,003	423,111
Inflationary Pressures and budgets to be allocated	4,241	34,128
<i>Total Directorate Costs</i>	<i>453,251</i>	<i>469,426</i>
<b>Total Resources Required</b>	<b>576,162</b>	<b>588,379</b>
<b>Resources to be identified</b>	<b>0</b>	<b>8,967</b>

Note the position above is as reported to Council March 2018 and does not reflect budget allocations or realignment since then.

#### **Revised Proposals for 2019/20**

14. The March 2018 report to Council noted there was a requirement for further resources or savings of £8.967m to be identified in 2019/20.



15. At Period 2 (May 2018) the Council reported an in-year overspend of £13.7m, this has reduced to £1.060m at Period 9 (December 2018) as reported elsewhere on the agenda in the Global Monitoring report, through the implementation of recovery plans and a review of the resources available.
16. It is important that the Council sets a sustainable budget moving forward into 2019/20. The most significant areas of cost pressure is the additional need arising from Social Care and Homelessness, together with the non-achievement of planned savings. The full year effect of these budget pressures is estimated at £13.222m, further increasing the budget gap of £8.967m to £22.189m.
17. To support the budget position and meet the identified pressures, there has been a full review of resources available, which has identified an additional £8.286m. These included additional council tax and business rates income, additional dividend from Manchester Airport and changes to government grants, particularly New Homes Bonus. These are set out in the report to January Executive. Further officer recovery proposals of £16.044m were identified which are appended to this report. Of these recovery proposals £5.776m are savings bringing the total of 2019/20 savings to £14.798m. As a result the savings over the three year period from 2017/18 have increased to £57m
18. After taking account of the full-year effect of the recovery plan measures, increased need to spend particularly on homelessness and social care, officer proposals to bridge the gap, and the updated position on resources the surplus was projected to be in the region of £2.1m as reported to January Executive and summarised below. Whilst the overall position has improved the underlying pressures on services such as Adult Social Care and Children's Services remain challenging.

**Table 2 – 2019/20 position as reported to January Executive**

	<b>2019/20 £000</b>
Original 2019/20 Budget Gap	8,967
Additional Pressures	13,222
<b>Initial Shortfall</b>	<b>22,189</b>
Resource Review	(8,286)
Officer Recovery Proposals	(13,044)
Further support for Looked After Children	(3,000)
<b>Surplus</b>	<b>(2,141)</b>

***Changes since January Executive***

19. As referenced in the January report to Executive, the Council has received notification that the Greater Manchester Combined Authority (GMCA) will propose the return of retained business rates (£6.021m) in 2018/19 and a

transport levy rebate (£0.975m) in 2019/20. This will be formally considered by GMCA on 15 February. In addition the Finance Settlement stated that an allocation of the business rates levy surplus (£2.699m) would be made from Government in 2018/19. This is a new announcement and had not been budgeted for.

20. There will also be a release of funding from Government following an error in the calculation and payment of S31 grant for Small Business Rates Relief dating back to 2017/18, providing additional resources of £1.840m in 2018/19 and £0.920m from 2019/20. Ministry of Housing, Communities and Local Government (MHCLG) shared the calculation, relating to the adjustment, with authorities in December, however, the official confirmation of allocations is yet to be received from the Ministry.
21. The Council Tax surplus has also improved by £0.904m since the production of the January report. The additional surplus will contribute towards an additional £1.1m for welfare related costs in 2019/20. In future such costs may be funded from additional Council Tax income relating to the proposed changes to empty property reliefs should this be approved; this consultation closes on 6 February 2019.
22. Additional funding for Social Care in 2019/20 was announced in the Autumn Budget. This included £2.666m to support winter pressures and £4.555m for children's and adult's social care. A report to Executive on 12 December outlined proposals to deploy the 2018/19 allocation of £2.666m and led to an Executive recommendation to deploy the additional posts required permanently using the 2019/20 funding.
23. Proposals have now been drawn up with partners for the most effective use of both sources of additional social care funding and are set out in detail in the Health and Social Care and Children's Services Business Plans.
24. There are also other Council held reserves / provisions totalling £7.195m which are proposed to be released to support investment and have not currently been allowed for in the funding assumptions/proposals to date. These relate to Adults Social Care services and are shown in the table below.

**Table 3 – Additional One off funds**

	<b>2018 /19 £,000</b>	<b>2019/20 £,000</b>
<b>Government Funding:</b>		
Share of Business Rates Levy Refund	(2,699)	0
Winter Pressures Grant	(2,666)	(2,666)
Social Care Support Grant (Adults and Children)		(4,555)
<b>GMCA Rebates:</b>		
Return of unused Business Rates Pilot Income	(6,021)	

	2018 /19 £,000	2019/20 £,000
Transport levy rebate (one-off)		(975)
<b>Council Tax and Business Rates:</b>		
Increase in Council Tax Collection Fund Surplus		(904)
SBRR (S31 grant) Correction	(1,840)	(920)
<b>Reserve / Provision releases:</b>		
Used of Adult Social Care earmarked reserves		(3,000)
Sleep in provision- judgement on back pay	(2,100)	
ASC Grant set aside	(1,000)	
Release of 2017/18 unallocated inflation (in Adults reserve)	(1,095)	
<b>Total Additional Funding</b>	<b>(17,421)</b>	<b>(13,020)</b>

### ***Proposed Investment Priorities***

25. Executive agreed the following priorities for any additional funding available:
  - 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 including enhanced enforcement of the private rented sector;
  - Tackling homelessness and
  - Further action to tackle littering, fly tipping and poor business waste management.
26. Following confirmation of the available funding and detailed work with partners and stakeholders in consultation with Executive Members a number of further investment proposals are included in the Medium Term Financial Plan and Business Plan reports.
27. 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.

28. The longer term investment is to provide stability against:

- the future uncertainty of funding due to the comprehensive spending review, the fair funding review and the reform to business rates;
- funding allocations from Government are one-off, but the Council (working together with partners as necessary) needs longer-term capacity and
- the general uncertainty arising from the continuing BREXIT negotiations.

29. The main areas of significant investment over the next 2-3 years are detailed in the following paragraphs:

#### Children's Social Care

30. The December scrutiny proposals included investment of £6.039m a year for Looked After Children
31. Additional work was subsequently undertaken to review the children's budget and whether it was sustainable based on the assumptions included. This took into account an independent financial review undertaken by Grant Thornton to review the children's budget, its sustainability and the targets included in the 2018-20 budget for further reductions in external residential and foster care placements. Overall, this review suggested that the savings targets were ambitious and as a result that further investment was required.
32. The review shows that despite the investment since 2014/15, the level of expenditure on Children's Services in 2017/18 (25%) is average compared to statistical near neighbour groups and above average compared to metropolitan neighbour groups. In addition, the Children's Services budget overspend for Manchester in 2017/18 which was 12.5% was comparatively average to low when compared to the 'near neighbour' groups.
33. The recommended priority areas were to safely reduce referrals and assessments supported by a recommendation to invest further into early help, family support and prevention, where spend is low compared to 'near neighbour' comparative authorities.
34. Funding has been agreed for 2019/20 to reset the budget pending bringing forward a consolidated improvement plan to progress to a 'Good' service and setting out how budgets will be reconfigured to enable increased investment in early help and prevention.
35. The further resource requirements total £5.335m a year, largely relating to placement pressures. It is anticipated, based on the likely volume of children and young people, that MHCC could contribute a further £1.2m to these pressures based on the agreed three way funding split. This is subject to confirmation. It is proposed that the balance of £4.135m is met from 50% of

the Adult and Children's Social Care Grant i.e. c£2.278m and Council resources.

36. The placement pressures do not indicate a significant increase in the number of children looked after but instead removes the budgeted expectation that the placement numbers in external provision, both residential and foster care, would reduce. Manchester is now performing relatively well in the number of internal foster carers and Special Guardianship Orders and has a comparatively low number of external residential placement too.

#### Adult Social Care

37. Adult Services have produced an Improvement Plan designed to understand the immediate need for staffing resources to stabilise the service and in particular to manage waiting lists as well as work to design a fit for purpose structure for the future. Permanent recruitment to roles is an increasingly key requirement where possible, ensuring the building of high quality teams. It should be noted that this work is at a relatively early stage. The service is committed to achieve transformation through its three-year investment plan.
38. The estimated total budget requirement for the Adult Social Care (ASC) capacity required is £4.233m in 2019/20 increasing to £4.816m in 2020/21 and 2021/22 as follows:
- £1.067m in 2019/20 rising to £1.4m from 2020/21 (c60 fte) for additional capacity in Social Work, Safeguarding, the Citywide Care Homes Team, the Learning Disability service and other specialist services. Greater internal capacity for Best Interest Assessors supporting Deprivation of Liberty Safeguards
  - £500k in 2019/20 rising to £750k in 2020/21 for proposals in development i.e. social work career pathway and additional team manager capacity for the in-house Learning Disability Accommodation Service.
  - £1.456m to enable permanent recruitment to posts funded via ASC seasonal resilience funding as agreed at January 2018 Executive.
  - £1.211m balance of seasonal resilience funding for additional winter arrangements such as placement costs as agreed between partners.
39. This will be funded across the three years 2019/20 - 2021/22 through use of the £2.666m a year Adult Social Care Resilience Grant, 50% of the Adult and Children's Social Care Grant i.e. c£2.278m, remaining Adult Social Care Reserve of £3m and £590k Council resources largely from the social care reserves outlined in table 2.
40. To fund the proposals above, in addition to the ASC winter pressures grant of £2.666m, the 2019/20 budget will be increased by a further £1.567m for the improvement plan. To reflect the likely timescales for recruitment the sum of £1.567m for 2019/20 will be phased with £0.784m added to the ASC budget and the remaining £0.783m held by the Council in the Adult Social Care Reserve to be drawn down as required in year.

41. From 2021/22 it is expected that the capacity requirements will change following transformation of services and further integration with health, improved practice and an overall stabilised and more efficient service.

#### Other Investment Priorities

42. After taking account of the additional Council Tax surplus and proposed investments the position is per the table below (all ongoing).
- Additional ongoing investment of **£150k** for Youth Services
  - Further action to tackle littering, fly-tipping and poor business waste management of **£0.5m**.
  - **£255k** investment to support Food Inspections
  - **£0.5m** for enhanced enforcement activity in the private rented sector, as part of the homelessness budget. This is in addition to the £3.8m agreed in the January Executive Report and measures in the Recovery Plan bringing the total additional investment for 2019/20 to £4.3m.
  - **£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, subject to the outcomes of consultation.
43. After taking account of the above additional funding and proposed investments the overall position for the 2019/20 Revenue Budget is per the following table.

**Table 4 – Position after Additional Funds and Investments**

	<b>2019/20 £000</b>
<b>Surplus following January Executive</b>	<b>(2,141)</b>
<b>Additional Investments:</b>	
Children's Investment	4,635
Adults Investment	4,233
Welfare Reform	1,100
Food Inspections	255
Homelessness - enhanced enforcement activity in the private rented sector	500
Further action to tackle littering, fly tipping and poor business waste management	500
Youth Funding	150
<b>Funded by:</b>	
Use of Social Care Grants and other reserves	(8,368)
Council Tax Surplus	(904)
Changes to Levies	(25)
<b>Final position</b>	<b>(65)</b>

#### Section 4 – Updated Savings Proposals

44. After taking into account the Recovery Plan proposals referenced in paragraph 17 and included at Appendix 1 the total saving target for 2019/20 is £14.798m.

**Table 5 – Updated Savings and Budget Delivery Plans**

	2019 / 20		
	Approved Savings £000	Recovery Savings Proposals £000	Total £000
Adults Social Care	18	1,975	1,993
Homelessness	0	440	440
Children and Education Services	2,269	776	3,045
Corporate Core	2,160	1,189	3,349
Neighbourhoods	4,575	376	4,951
Strategic Development	0	1,020	1,020
<b>Total Savings identified</b>	<b>9,022</b>	<b>5,776</b>	<b>14,798</b>

### **Section 5 - Overall Financial Position**

45. Requests for additional funding to meet the spending proposals outlined in this report and detailed with 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 2019/20 with a contribution to the General Fund reserve of £65k.

**Table 6 - Summary of Resources Available and Budget Requirement for 2018/19 and 2019/20**

	2018 / 19 £000	2019 / 20 £000
<b>Resources Available</b>		
Business Rates related funding	324,753	314,653
Council Tax	154,070	166,507
Other non ring fenced Grants / Contributions	38,735	54,426
Dividends and Use of Airport Reserve	53,342	62,390
Use of Reserves to support the budget	8,743	12,439
<b>Total Resources Available</b>	<b>579,643</b>	<b>610,415</b>
<b>Resources Required</b>		
<i>Corporate Costs:</i>		
Levies/Charges	68,655	70,090
Contingency	3,103	1,600

	<b>2018 / 19 £000</b>	<b>2019 / 20 £000</b>
Capital Financing	44,507	44,507
Transfer to Reserves	7,286	6,902
<i>Sub Total Corporate Costs</i>	<i>123,551</i>	<i>123,099</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>
<b>Total Resources Required</b>	<b>579,643</b>	<b>610,350</b>
<b>Transfer (to) General Fund Reserve</b>	<b>0</b>	<b>(65)</b>

## **Section 6 - Underpinning Financial Assumptions**

46. The remainder of the report goes onto set out the detailed assumptions which underpin the final year of the three year budget.

### **Resources Available**

#### *Business Rates Income*

47. 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 and Cheshire East since 1 April 2015. The scheme set a growth baseline above which named 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.
48. In summary the total business rates related income available is as set out below.



**Table 7 – Business Rates Related Funding 2018-20**

	<b>2018/19 £000</b>	<b>2019/20 £000</b>
Business Rates Baseline	316,597	323,852
Business Rates Top Up / (Tariff)	(19,015)	(40,398)
Additional Business Rates Income	7,393	1,482
Business Rates Grants	19,778	29,717
<b>Business Rates related funding</b>	<b>324,753</b>	<b>314,653</b>

49. 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.
50. The **top up / (tariff)** is an amount received from or paid to Government to adjust income from business rates and bring it in to line with the Government's assessment of baseline funding level required.
51. **Additional Business Rates income** - This is the estimate of the additional business rates income above the government's business rates baseline. This includes the estimate of 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 2018/19.
52. **Business Rates Grants** - Section 31 grants totalling £19.778m are forecast for 2018/19 and £29.717m for 2019/20. Section 31 grants are awarded to offset the reduction in business rates yield due to the changes announced by government. This includes grants to facilitate the extension of the 100% Small Business Rates Relief (SBRR) and to compensate for the increase in the small business rates multiplier threshold. Annually, additional reliefs have been announced in the Autumn Statement. These have reduced business rates income and will be reimbursed as Section 31 grants e.g. retail relief from April 2019.
53. All grants reflect Manchester's increased business rates share as a result of being part of the rates retention pilot. These are taken account of when quantifying the additional income as a result of participation in the 100% pilot to be shared with the GMCA.
54. 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 be due to the government to be retained for the benefit of Greater Manchester and the Cheshire authorities.
55. In addition the cost of discounts, awarded to qualifying businesses within the Enterprise Zones (EZ), is reimbursed to the Council.

56. The estimate for 2019/20 anticipates that there will be growth above the EZ baseline in the Manchester Science Park. This is ringfenced for the costs of the enterprise zone growth manager and the borrowing costs associated with EZ developments.
57. The Government has confirmed that the 100% business rates growth retention pilot for Greater Manchester will continue for 2019/20. There is no confirmation of what will happen beyond next year.

**Table 8 - Forecast Business Rates Grants 2018-20**

	<b>2018 / 19 £000</b>	<b>2019 / 20 £000</b>
Small Business Rates Relief	13,265	13,330
Pub Relief (ends in 2018/19)	141	0
Multiplier Cap	7,604	10,758
Retail relief	0	7,606
Supporting small businesses	0	213
Discretionary Revaluation	746	310
Long term empty property relief	287	0
Enterprise Zone discounts	1,223	1,034
Adjustment to Top up in relation to multiplier cap	(3,315)	(4,821)
SBRR additional grant - correction	0	1,287
Transfer from / (to) BR reserve	(173)	0
<b>Total Section 31 Business Rates Grants</b>	<b>19,778</b>	<b>29,717</b>

#### *Council Tax*

58. The Council collects council tax on behalf of itself, the GMCA police and crime commissioner precept, GMCA fire precept and the GMCA mayoral general precept. This reports focuses on the increase to the Council element. There will also be increases for the GMCA precepts.
59. There have been various changes to the element of council tax relating to the Council which are broken down below. These are:
- Referendum criteria - As part of the 2017-20 budget strategy, council tax rises for 2019/20 were agreed at 1.99% along with a further 1.5% specifically to care for vulnerable adults. This will raise £5.4m. The 2019/20 Local Government Finance Settlement gives the flexibility to raise the council tax by a further 1% to cover the cost of core services. The budget assumes that the Council will remain with the commitment to keep council tax in 2019/20 at the level as reported previously as part of the 2017-20 budget strategy and will not be implementing the further 1% increase.

- The assumption for the council tax collection rate is 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.

60. The impact on these changes on the 2019/20 position are shown in the following table :

**Table 9 – Net Council Tax Income Increase 2018-20**

	<b>2018/19 £000</b>	<b>2019 /20 £000</b>
General Increase 1.99%	2,877	3,058
Adult Social Care Increase 1.5%	2,169	2,305
Increase to Tax Base	4,014	4,039
Change in prior year surplus	(1,497)	3,035
<b>Total Increased Council Tax</b>	<b>7,563</b>	<b>12,437</b>

61. The table below shows the proposed Band D impact if the proposed increases are agreed by the Council and GMCA.

**Table 10 - Proposed Band D Council Tax**

<b>Impact on Manchester Band D Council Tax</b>	<b>2018/19 £</b>	<b>2019/20 £</b>	<b>Increase %</b>
Precepting Authority			
Council (including Adult Social Care precept)	1,324.54	1,370.77	3.49%
GM Mayoral Police and Crime Commissioner Precept	174.3	198.3	13.77%
GMCA Fire	59.95	59.95	0.00%
GM Mayoral General Precept	8.00	17.00	112.50%
<b>Total</b>	<b>1,566.79</b>	<b>1,646.02</b>	<b>5.06%</b>

*Other Non Ringfenced Grants and Contributions*

62. The following table lists the **other non-ringfenced grants and contributions** expected.

**Table 11 - Other Non-Ringfenced Grants and Contributions 2018/19 to 2019/20**

	<b>2018 / 19 £000</b>	<b>2019 / 20 £000</b>
Better Care Fund (Improved)	14,762	24,374
Additional Better Care Fund (Improved)	7,644	3,775

	2018 / 19 £000	2019 / 20 £000
New Homes Bonus	6,420	8,202
Adult Social Care Support Grant	1,667	0
Adult Social Care Winter Pressures Grant	2,666	2,666
Contribution from MHCC	0	4,000
Children and Adults Social Care Grant	0	4,555
Education Services Grant	1,260	1,260
AGMA refund	155	0
Bus Reform including concessionary travel for 16-18 year olds - GMCA contribution	0	1,618
Brexit Preparation funding	105	105
Housing Benefit Administration Subsidy	2,636	2,514
Universal Credit Funding	314	314
Council Tax Support Administration Subsidy	944	881
Care Act Grants	162	162
<b>Total Non Ring-fenced Grants</b>	<b>38,735</b>	<b>54,426</b>

63. Issues around the most significant grants and contributions are as follows:

- Better Care Fund (Improved)** - was created in the 2015 Spending Review and provided local government with new funding for adult social care. From 2017 the Spending Review made available social care funds for local government, rising to £1.5 billion by 2019-20. Manchester's allocation in 2019/20 is £24.374m. With the pending Adult Social Care Green Paper, there is no clarity on how this will be funded beyond 2019/20.
- Additional Better Care Fund (Improved)** - The Spring Budget 2017 included an announcement of an additional £2bn over the 3 years 2017-20 towards spend on adult social care services. 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. Manchester received an allocation of £24.336m for the three-year period; £12.917m in 2017/18, £7.644m in 2018/19 and £3.775m in 2019/20. 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. There is no certainty on how this will be funded beyond 2019/20. The majority of the original BCF grant was back loaded to the last two years of the four year settlement period. This additional grant was tapered to compliment the original grant and took account of the ability to raise council tax through the 2% precept which was introduced alongside it.
- New Homes Bonus (NHB)** - The Government has now confirmed an additional £20m in 2019/20 which will enable the baseline threshold to

remain at 0.4%. The City Council allocation is £8.202m, £1.202m higher than originally budgeted. It is likely that the New Homes Bonus will be reformed post 2019/20.

- **Adult Social Care Support Grant** - Introduced in the provisional 2017/18 settlement, its stated aim was to bring forward support for adults social care pressures. This was initially announced as a one off grant in 2017/18 met through adjustments to the funding for New Homes Bonus and subsequently allocated again in 2018/19. This funding has not been continued in 2019/20.
- **Adult Social Care Winter Pressures Grant** - Local authorities' share of £240 million additional funding announced to help local areas ease winter pressure on the NHS. This is aimed at reducing delayed transfers of care. Manchester's allocation is £2.666m and for the purposes of setting the budget it is assumed the grant is ongoing which will enable the associated recruitment to be to permanent posts.
- **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 (subject to formal agreement by the March 2019 CCG Board).
- **Children and Adults Social Care Grant** - The October 2018 budget announced a further £420m of funding for social care (Adults and Children's), the government stated this was to reduce demand on the NHS and improve the social care offer for older people, people with disabilities and children, Manchester's allocation is £4.555m.
- **Education Services Grant** - This relates to retained funding from DSG to fund statutory duties at a rate of £15 per pupil.
- **Contribution for Bus Reform including 16 – 18 year old concessionary travel** - Funding will be allocated from the Greater Manchester Combined Authority to contribute to increased transport levy costs.
- **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 is £210k which will be received over two financial years - 2018/19 and 2019/20.
- **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.
- **Care Act Grants** - funding allocations for new adult social care duties previously announced.

64. **Airport Dividend and use of Airport Reserve** is forecast as follows:  
Originally, £52.942m was earmarked to support the budget in 2018/19. For 2019/20 the amount will be £61.990m.
- 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.
65. **Other Dividends**
- There is also £400k expected per annum for other dividends (National Car Parks Ltd and Piccadilly Triangle). 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. Consideration will also be given to the current year's budget position, in particular whether there is a shortfall in achieving the overall dividend budget or pressures in the investment estate that are not met via the smoothing reserve.
66. **Use of reserves to support the revenue budget** is £8.743m in 2018/19 and £12.439m in 2019/20. Details of these reserves are shown in table 15.

### Resources Required

67. The following table sets out the forecast **levy payments**.

**Table 12 - Levy Payments 2018/19 to 2019/20**

	<b>2018 / 19 £000</b>	<b>2019 / 20 £000</b>
Transport Levy *	54,373	38,157
GMCA Waste Services **	13,969	31,614
Environment Agency	211	217
Probation (Residual Debt)	22	22
Magistrates Court (Residual Debt)	9	9
Port Health Authority	71	71
<b>Net Cost of Levies</b>	<b>68,655</b>	<b>70,090</b>

*\* 2018/19 reflects the reversal of a one off transfer between the transport and waste levies, 2019/20 reflects the underlying base position for both levies. .*

*\*\* 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.*

68. The significant expected changes to the levies are summarised below:

- 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 15 February 2019 and may vary slightly. An additional contingency sum of £1m has been included within the Council's corporate contingency in 2019/20 to cover any potential increased charge in year.
  - The GM Mayoral precept will be used to invest in bus reform. In the absence of final approval to the outstanding Parliamentary Order relating to Transport Functions, the GM Mayor is unable to raise monies directly for Bus Reform including the proposal for concessionary travel for 16 to 18 year olds and such costs fall on Districts by means of an increase to the transport levy. The GM Mayor will pay grants to Districts to offset those transport function costs on a pro-rata basis, the amount for Manchester is £1.618m.
  - GMCA will propose the return of £0.975m transport resources to the City Council which will be formally be considered at the meeting of the GMCA on 15 February.
69. The required **contingency** amount includes:
- £1m in relation to risks around the waste levy and collection.
  - £0.6m as an unallocated contingency to meet future unforeseen expenses.
70. **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 £25.637m is funded by interest received on loans made by the Council to Manchester Airport Group and other partner organisations
71. **Transfers to reserves** of £6.902m in 2019/20 relate to:
- Minimum Revenue Provision (MRP) saving transferred to the Town Hall Reserve £2.4m in 2019/20
  - Transfer of £105k to reserves following the BREXIT preparation funding announcement. This will be fund costs anticipated to be incurred in 2019/20.
  - Transfer to Social Care Reserve of £2.904m of which £1.009m was in the original budget, £975k relates to the expected transport rebate from GMCA as per paragraph 19 and £920k additional Small Business Rates Relief grant as per paragraph 20.
  - Transfer to Adult Social Care Reserve £1.493m in 2019/20 from the element of Social Care grant allocated to adults to be used in 2020/21 as per paragraph 39.
72. **Additional allowances for former staff and teachers' pension costs** total £10.030m in 2019/20 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 so this cost will reduce over time.

73. **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.

### ***Directorate budgets***

74. The cash limit budget 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 £31.614m in 2019/20 which is shown against Corporate Items but will be monitored by the Neighbourhoods Directorate.

**Table 13 – Cash Limit budgets**

	2018 / 19 £000	2019 /20 £000
Children's Services	109,898	120,434
Adults Services	185,913	198,263
Homelessness	9,225	13,375
Corporate Core	70,087	67,838
Neighbourhood Directorate	57,561	59,847
Strategic Development	7,235	5,515
<b>Total</b>	<b>439,919</b>	<b>465,272</b>

### **Inflationary Pressures and Budgets to be Allocated**

75. The main assumptions are as follows :

**Table 14 – Inflationary pressures and budgets to be allocated**

	2018 / 19 £000	2019 /20 £000
Non Pay Inflation	2,539	3,539
Pay Inflation at 2%	0	4,323
Employee Costs of Minimum Wage	0	775
Apprenticeship Levy 0.5%	900	900
Carbon Reduction Tax / Climate Change Levy	660	368
Contribution to Cemeteries Reserve	40	40
<b>Total</b>	<b>4,139</b>	<b>9,945</b>

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 £4.258m, Pay Inflation £1.002m and Non Pay Inflation £2.684m.

76. The main assumptions are as follows:



- Non Pay inflation provided for increased running costs each year, a balance of £2.539m in 2018/19 with a full year budget provision of £3.539m for 2019/20. This also includes funding for the anticipated increase in utility charges.
- Pay inflation at 2%, based on the approved 2 year pay award ending in 2019/20 and also reflecting the changes to the pay assimilation from April 2019.
- Employee cost of minimum wage - the estimated costs of the Manchester minimum wage are expected to be £0.775m in 2019/20.
- Apprenticeship levy - this is payable as 0.5% of the annual pay budget.
- Carbon reduction tax - from 2019/20 this will be abolished and the Climate change levy (CCL) rates will be increased. The £0.66m budget for 2018/19 has been removed therefore and the budget has been updated to include £368k for CCL costs in 2019/20.
- Contribution to Cemeteries reserve - this is an annual budget commitment to contribute to the reserve to purchase land for burials.

### **Section 7 - Financial Reserves**

77. 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.
78. The reserves include:
- 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
79. The following table shows an analysis of the planned use of reserves in 2018/19 and 2019/20 to support revenue expenditure.

**Table 15 - Planned use of reserves 2018-20**

	2018 / 19 £'000	2019 / 20 £'000
<b>Statutory Reserves:</b>		
Bus Lane and Parking reserves	7,861	5,504
Other Statutory Reserves	184	85
<b>Balances Held for PFI's</b>	<b>41</b>	<b>500</b>
<b>Reserves directly supporting the revenue budget:</b>		
Budget smoothing reserve	2,500	2,500
Capital Fund	3,493	0
Business Rates Reserve	540	490
Bus Lane (Supporting Transport Levy)	710	3,092
Social Care Reserve	1,500	6,357
<b>Service Reserves:</b>		
Adult Social Care	4,916	3,643
Social Care Reserve	4,015	1,320
<b>Small Specific Reserves</b>	<b>1,568</b>	<b>124</b>
<b>Reserves held to smooth risk / assurance:</b>		
Airport Dividend Reserve	38,029	45,413
Business Rates Reserve	4,000	2,000
Historic Abuse Claims Reserve	522	0
Other reserves held to smooth risk / assurance	6,333	1,730
<b>Reserves held to support capital schemes:</b>		
Capital Fund	23,880	10,237
Other reserves held to support capital schemes	8,385	10,408
<b>Reserves held to support growth and reform:</b>		
Clean City Reserve	1,684	412
Better Care Reserve	10,407	1,955
Town Hall Reserve	4,971	2,867
City Centre Reserve	2,927	0
Our Manchester Reserve	1,694	2,584
Other Reserves to support growth and reform	543	164
<b>Grants and Contributions used to meet commitments over more than one year</b>	<b>4,032</b>	<b>686</b>
<b>General Fund</b>	<b>1,060</b>	<b>0</b>
	<b>135,795</b>	<b>102,071</b>

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

81. *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 2019 is £11.936m. It is estimated that £9.049m will be added to these reserves during 2019/20 and £8.596m used. It will be used in accordance with these requirements to fund spend in the Neighbourhoods Directorate as well as part of the transport levy.
82. *Budget Smoothing Reserve* - This reserve was funded from a £5m transfer from a reserve previously set aside for historic abuse claims and is to be used to support the 2018/19 and 2019/20 budget.
83. *Social Care Investment Reserve*  
A Children's Services Investment Reserve was initially established as part of the 2015/16 budget process to support the improvement of services which protect the most vulnerable children and to reduce the need for safeguarding by tackling complex problems which leaves some families dependent on targeted services.
84. During December 2018 there was a review of the Children's budget position and placement numbers including an independent benchmarking of resources and performance. The review reiterated Manchester has a very high rate of referrals and assessments and a higher than average rate of re-referrals.
85. Whilst there has been a significant reduction in external residential placements the number of placements have stabilised over the last few years. It should be noted, that during the same period there has been a significant reduction in the number of internal residential placements.
86. The analysis indicates the budget should not be set based on further reductions in external residential and external foster care placements and suggests a revised budget strategy to ensure a sustainable budget is set within the context of value of money and meeting need effectively. There are also growing pressures across a number of areas in the Council's budget relating to social care and providing the support to the vulnerable. Subsequently there is a need to use one-off resource to address these pressures as well as the delivery of children's services on a locality footprint and a three year budget strategy. Drawdown of the reserve will be predicated on the development of the Consolidated Improvement Plan for Children's Services and a business case process for any other areas.
87. *Adult Social Care Reserve* - As set out in paragraph 40 the additional funding identified for Adult Social Care will be used over 3 years to 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'.

88. *Airport Dividend Reserve* - Of the airport dividend received, £14.91m supports the budget in year, the remainder is placed in the airport dividend reserve and used a year in arrears in recognition that this is not a guaranteed income stream and may reduce or increase in future years.
89. *Business Rates Reserve* – The 2019/20 use of £2.490m relates to £2m supporting the budget and £490k for Revenue and Benefit investment approved in March 2018.
90. *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.

### **Section 8 - Workforce Implications**

91. 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.
92. A comprehensive work programme is in place to deliver on the vision of Our People Strategy 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
93. 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:
  - **Leadership** that lives the Our Manchester Behaviours
  - Consistent high quality people **management**, underpinned by clear and effective policies, guidance and support
  - Driving **equality** objectives as an employer
  - **Development and skills** to deliver now and in the future: supporting the development of all staff, at every level
  - **Strategy** which embeds the Our Manchester behaviours in all staff do
  - An approach to **resourcing** which maximised organisational capacity

**Table 16: Workforce numbers**

Summary by Directorate	2018-2019 Budgeted Posts FTE	2019 - 2020 Saving Proposals Gross FTE Impact (Indicative)
Adult Social Care	1,207	0.00
Homelessness	250	0.00
Children and Education Services	1,301	0.00
Corporate Core	1,741	13.00
Neighbourhoods (including Highways)	1,441	0.00
Strategic Development	668	0.00
<b>Total</b>	<b>6,608</b>	<b>13.00</b>

It should also be noted:

- With regards to the £3m of savings relating to HR policies and processes - £1.5m scheduled for 2018/19 has been achieved, with a further £1.5m planned for 2019/20. In 2019/20 these will be achieved via further savings from the annual leave purchase scheme, the introduction of a shared cost (salary sacrifice) model for the purchase of pension Additional Voluntary Contributions, savings from work already undertaken to rationalise the Council's senior structure and the identification of vacancies for deletion.
  - A further £0.5m savings target is linked to delivering a transformation programme across the Corporate Core. - The details of this work are still emerging but it is likely to have some workforce implications.
94. Given the organisation's rate of turnover and current vacancies it continues to be anticipated that the workforce reductions can be achieved without the need for the use of an enhanced early retirement or voluntary redundancy scheme.
95. The proposed investment in services over the period of the budget will also create employment opportunities. Subject to approval, the additional posts established in the City Council will be included within the overall workforce planning requirements. This includes:
- Adult social care improvement work to put the right foundations in place through work to embed streamlined process, effective practice, and an enabled workforce with the right resources in place to manage demand. It is envisaged that this will lead to additional capacity of c100 FTE.
  - Additional capacity for Homelessness support to reduce caseloads and a further proposal to provide additional funding for enforcement activity for accommodation across the City is being held in the Homelessness budget. This is also likely to result in an additional staffing requirement but the exact impact is to be determined.

- Within Neighbourhoods, additional investment is proposed to address the issue of fly tipping - if approved, this will be used to fund 3 FTEs that will seek to work with businesses to ensure commercial waste is disposed of appropriately. It is also proposed to provide investment to fund increased staffing resources of 7 FTEs required to address increased demands within Food Safety.
96. Over the past year the progress of Health and Social Care Integration has continued at pace, with a significant number of staff deployed into the Manchester Local Care Organisation (MLCO). All Council staff affected will remain employees of the Council.

## **Section 9 – Consultation**

97. 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, over 4,250 people got involved over 3 phases of consultation. This information was used to inform the Council's spending plans for the next three years.
98. 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 a conversations about businesses rates.
99. One of the ways Manchester have 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.
100. This report details proposals to meet the requirement to produce a definitive budget to be approved at the City Council meeting on 8 March 2019. The report sets out a proposed investment approach to underpin the delivery of Our Manchester. There is a reasonable basis for setting the budget for 2019/20.
101. An additional £12.6m one off government funding has been allocated to the Council since the Autumn Budget. The late announcement and one off nature of the funding allocated has made effective longer term planning more difficult and whilst central government have recognised the pressures local authorities are facing in these areas, the funding does not continue beyond 2019/20 and is insufficient to meet the increases in demand for services. When taken alongside the proposed return of revenues from the GMCA, the Council is relatively cash rich in the short term but is facing uncertainty and budget reductions in the future.
102. This is a period of continued reductions in resources and growing pressures. The savings required over the next year are £14.798m 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.

103. The range of potential changes to Local Government Financing from 2020/21 is considerable, including:
- New Spending Review period starts 2020/21 – potential continuation of austerity. Reports Summer 2019.
  - Funding formula for allocating funding to local authorities is changing. Reports Summer / Autumn 2019.
  - Changes to how business rates are managed – currently the Council retains 100% of growth generated during valuation period, although this is then lost at the reset of the base. Likely to move to 75%.
  - Business rates income very volatile and difficult to predict, particularly due to the number and scale of appeals.
  - Changes to long-term funding for adult social care with the delay again of the Green Paper now expected Spring 2019.
  - Increasing pressures from welfare reforms which are not fully funded.

## **Section 12 - Recommendations**

104. Detailed recommendations appear at the front of this report.