

**REPORT TO:** FINANCE AND GENERAL PURPOSES OVERVIEW AND SCRUTINY COMMITTEE

**DATE:** 9 FEBRUARY, 2006

**SUBJECT:** BUDGETS 2006/7 TO 2008/9

**REPORT OF:** CITY TREASURER AND CHIEF EXECUTIVE

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**PURPOSE OF REPORT**

The report presents for members information a brief summary of the current position in formulating a Medium Term Financial Plan for the Council covering 2006/7 to 2008/9, a Revenue Budget for 2006/7, the three year Capital Programme for 2006/7 to 2008/9 and the Treasury Management Strategy and the process for finalising these. The full budget papers will be issued to the Executive prior to the meeting of the Committee and arrangements will be made to ensure that members of this committee receive copies before 9 February.

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**Background Documents**

RSG provisional and final settlement papers

Individual Departmental Service and Budget Strategies

Budget Consultation Document

Budget Consultation Responses

**Wards affected:**

All

**Implications for:**

**Anti-poverty Equal Opportunities      Environment      Employment**

The Revenue and Capital budgets provide funding to enable Council Services to continue to support the achievement of all the above areas

1. **Background to Developing the Medium Term Financial Plan and Setting the Budget**

- 1.1 This has been a difficult year for budget planning due to the major changes to the Revenue Support Grant Mechanism introduced for 2006/7 as part of a move by Government to 3 year settlements. This was compounded by the decision by Government to move funding for schools out of the RSG mechanism and into a new grant regime, the Dedicated Schools Grant. The Government consulted on draft proposals but it was not until the provisional settlement announcement on 5 December that the situation started to clarify itself.
- 1.2 A report on the provisional settlement and its impact on Manchester was presented to Executive on 21 December 2005. The report identified that although Manchester had fared well from the changes to the system, the actions of the floor damping mechanism had severely reduced the level of extra resource that we would actually receive. It was agreed that a robust response to the consultation would be made and that a meeting would be sought with the Government Minister to discuss our concerns. These went ahead in January.

2. **Impact of Final Settlement**

- 2.1 On 31 January the government issued the final settlement figures for 2006/7 and 2007/8. These differed from the provisional settlement and have led to an increase in our grant receivable since the provisional settlement of £955,000 in 2006/7 and £2,295,000 in 2007/8. This appears to be due to a change in the amounts lost to the floor damping mechanism although full details have not yet been released.

3. **Process for finalising the Budgets**

- 3.1 Executive on the 15 February will consider the budget proposals put forward by officers and will be making final recommendations on both the budget for 2006/7 and a Medium Term Financial Plan which includes indicative budgets (subject to annual review) for 2007/8 and 2008/9. As last year, the report to Executive will bring together the Revenue Budget for 2006/7, the three year capital programme for 2006/7 to 2008/9 and the Treasury Management Report. In addition, this year the report also has recommendations for a three year Medium Term Financial Plan albeit that recommendations relating to 2007/8 and 2008/9 will be subject to annual review through the budget process and also seeks approval to a Capital Strategy for the Council.
- 3.2 Since the Prudential Borrowing regime was introduced in 2003/4 which brought with it a requirement to approve a range of Prudential Indicators

for three years, it has been necessary for these items to be considered together as they are now fundamentally linked and decisions on one can impact on the others and on the Prudential Indicators.

- 3.3 The report will also contain details of the public consultation carried out on the budget and the responses received.
- 3.4 Once Executive has determined its budget recommendations, the opposition party has until 22 February to make any proposals for amendments. The Executive recommendations along with the opposition amendment will then be put to Finance and General Purposes Overview and Scrutiny Committee at a special meeting on 27 February before all recommendations are considered by full Council on 1 March.