

COMMITTEE: COMMUNITIES AND NEIGHBOURHOODS OVERVIEW AND
SCRUTINY COMMITTEE

DATE: 8 JANUARY 2008

SUBJECT: REVENUE BUDGET 2008/9 AND BUSINESS PLANS 2008/9
TO 2010/11

REPORT OF: THE CHIEF EXECUTIVE
CITY TREASURER

PURPOSE OF REPORT

To provide overview and scrutiny committees with background information on the budget and the recently announced financial settlement for 2008/9 to 2010/11 to provide a context in which to consider the summary business plans.

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BACKGROUND DOCUMENTS

Local Government Finance Settlement
Corporate Plan
Medium Term Financial Strategy

WARDS AFFECTED

All

1.0 Introduction

1.1 As part of the budget process for 2007/08 the Council agreed a Medium Term Financial Plan that included indicative budget figures for 2008/09 and 2009/10. These figures were indicative as at that time the actual resources being made available by the Central Government were not known. On December 6 the Government released details of the provisional settlement and as previously promised this contained the details of our grant support for three years 2008/9, 2009/10 and 2010/11.

2.0 The Provisional Settlement

2.1 The provisional settlement for Manchester for 2008/09 to 2010/11 was confirmed by the government in its announcement on 6 December 2007 with a closing date for responses to the consultation of 6 January 2008.

2.2 The settlement follows broadly the figures set out in the SR2007 and across England allows for increases in AEF (Aggregate External Finance made up of Revenue Support Grant (RSG) and the National Non-Domestic Rate (NNDR) pool contribution) of 3.7%, 2.8% and 2.6% in cash terms which are equivalent to real term increases of just 0.9%, 0.1% and -0.1% making this the tightest settlement for some years.

2.3 A number of revisions have been made to the formulae for the coming three years, all of which have been subject to consultation and a number of specific grants have been transferred into the RSG settlement as part of the government's stated commitment to reduce the level of ring fenced funding. The level of most of the remaining specific grants has been announced showing an overall increase for 2008/9 of 4.1%.

2.4 Manchester is to receive the following levels of AEF for the next 3 years:-

2008/9	£328.166m
2009/10	£336.153m
2010/11	£342.544m

2.5 These represent year on year cash increases of 7.3%, 2.5% and 1.9% respectively. The high increase in 2008/9 is due mainly to a number of grants falling into the RSG and as such does not represent the actual increase in the overall government support received. When this is adjusted for, the underlying increase for 2008/9 is 3.6%.

2.6 In planning for the next three years, increases in AEF had been assumed of 3%, 2.5% and 2%, we are therefore a little better off than we expected in 2008/9 and although the increase in 2010/11 is lower than we had been predicting, the increase in 2008/9 means that we are still slightly better off than had been anticipated in cash terms. The actual money to be received compared to our plan shows the following:-

	AEF as per budget planning £m	AEF as per settlement announcement £m	Variance £m
2008/9	325.800	328.166	+2.366
2009/10	333.898	336.153	+2.255
2010/11	340.576	342.544	+1.968

2.7 Even though resources to be received are slightly higher than anticipated, the overall growth is still less than would be required to fund the cost of on going services, inflationary pressures and additional service demand / demographic pressures (particularly in demand led services such as Adults).

2.8 At the beginning of the Budget Planning process all heads of service not subject to priority Service Improvement Projects through the Manchester Improvement Programme (MIP) were asked to identify efficiency savings over the next three years that would allow for investment in priority services. The MIP programme will also identify savings in the coming years that will contribute to meet pressures and creating headroom for investment.

3. **Area Based Grant and Working Neighbourhoods Fund**

3.1 A substantial percentage of the overall cost of providing services is met through specific grants and other targeted grants such as the Neighbourhood Renewal Fund (NRF). The system for receiving these grants and the key elements and purpose of some of the grants is to change for 2008/9 onwards with the NRF being replaced by a new Working Neighbourhoods Fund (WNF) and the setting up of the Area Based Grant.

3.2 The WNF replaces the Neighbourhood Renewal Fund. Resources announced through the fund for Manchester are £25.873m in 2008/9, 29.582m in 2009/10 and £30.474m in 2010/11. These figures compare with NRF grant in 2007/8 of £29.881m and as such the resources available next year are reduced by just over £4m (-13.4%) but then grow by £3.709m in 2009/10 (14.3%) and a further growth of £892,000 in 2010/11.

3.3 It is anticipated by central government that the merging of the WNF and a number of other specific grants will provide local authorities with greater freedom in the use of these resources, however it is recognised that in the short term many of the resources forming the Area Based Grant are currently committed to on-going projects. To fully realise these freedoms, therefore, and to ensure that the best outcomes are achieved from the monies being made available, a fundamental review of the use of these funding streams is to be carried out in 2008/9.

3.4 As the level of WNF is lower in 2008/9 than the level of NRF grant received in 2007/8, each thematic partnership has been asked to review current projects and activity funded through NRF to identify savings for 2008/9.

4. The Business Plan Process / Role of Scrutiny

- 4.1 Business planning is a key part of the Council's performance management framework. Business plans aim to provide a stronger alignment between the activities of services and the vision for the city as set out in the Community Strategy. They aim to enable more effective integration of financial planning, performance management (including risk management) and people management. The aim is to achieve a consistent approach across the Council helping to ensure that all services are managed as effectively as possible.
- 4.2 At its last meeting, this Committee selected a number of business plans to inform its discussion on the Council's budget position.
- 4.3 Members are invited to comment on the draft priorities as set out in the summaries. Relevant Heads of Service will be present at the Committee meeting.
- 4.4 Members may wish to consider the following questions in their scrutiny of the plans:
- Have all relevant service priorities been identified?
 - Will the activities identified lead to the delivery of better quality services?
 - Are appropriate actions in place to address the challenges that the service will face?
 - Does the service demonstrate that it will maximise the impact of the resources available to it?
- 4.5 Resources and Governance Overview and Scrutiny Committee will be looking at the whole of the budget at its special meeting at the end of February. This will include consideration of issues raised by other Scrutiny Committees, as well as through public consultation.
- 4.6 Members are reminded that Business Plans are still draft and are not scheduled to be finalised until February / March 2008. The contents and priorities in the plans therefore may change as a result of the budget setting process, as the level of resources allocated to each service area will determine the services it is able to deliver.