

MANCHESTER CITY COUNCIL REPORT FOR RESOLUTION

COMMITTEE: Social Strategy Overview and Scrutiny

DATE: 10th January 2007

SUBJECT: Budgets and Financial Plan – Business Plans

REPORT OF: The Chief Executive and
The City Treasurer

PURPOSE OF REPORT

This report updates the Committee on the Medium Term Financial Strategy for 2007/08 to 2009/10 and focuses on the Council's budget for 2008/09 in the light of the provisional financial settlement announced on the 28th November and in the light of service-level business plans which are being developed for the next three years.

RECOMMENDATION

1. That the provisional financial settlement be noted.
2. The Committee is asked to note the report as background information to assist its budget scrutiny work.
3. That the process for the agreement of the budget for 2007/8 be noted.

FINANCIAL CONSEQUENCES FOR BOTH THE REVENUE BUDGET AND THE CAPITAL BUDGET

As set out in the report. A further report on the Capital Programme will be presented to the Finance and General Purposes Overview and Scrutiny Committee for consideration in February 2007.

CONTACT OFFICERS

Richard Paver, City Treasurer r.paver@manchester.gov.uk	0161 234 3564
Geoff Little, Assistant Chief Executive Performance g.little@manchester.gov.uk	0161 234 3317
J. Guest, Head of Financial Management j.guest@manchester.gov.uk	0161 234 3406
Forid Meah, Head of Corporate Performance f.meah@manchester.gov.uk	0161 234 3049

BACKGROUND DOCUMENTS

Local Government Finance Settlement
Corporate Plan and Business Plans
Medium Term Financial Strategy

WARDS AFFECTED

All

IMPLICATIONS FOR KEY COUNCIL POLICIES:

Anti-Poverty	Environment	Equal Opportunities	Employment
Yes	Yes	Yes	Yes

1.0 Introduction

- 1.1 As part of the budget process for 2006/7 the Council agreed indicative budget figures for 2007/08 and 2008/09 as well as the budget for 2006/07. The Council was informed in this process by the government providing for the first time a two year financial settlement for local governing including settlements for individual authorities for 2007/08.
- 1.2 The provisional settlement for Manchester for 2007/08 was confirmed by the government in its provisional settlement announced on 28th November. Within the settlement there are damping arrangements as follows; floors 2.7% for authorities with education and social services responsibilities, 3.6% for police authorities; 2.7% for shire districts and 2.7% for fire authorities. This means that changes in the funding formula can not lead to authorities having grant reduced by more than these amounts. These restrictions on grant reductions are paid for by scaling down the grant increases to authorities within the same class.
- 1.3 The provisional settlement figure for Manchester for 2007/8 is £305.923m which, as with the national figures, is exactly as notified to us in the final settlement announced at the end of January this year. This compares with £295.512m in 2006/07 (an increase of £10.411m or 3.5%). The amount received in 2007/8 has once again been substantially reduced from the total assessed grant arising from the new formulas due to the damping mechanism. The cost of the damping mechanism to Manchester in 2007/8 is £10.74m.
- 1.4 The Spending Review 2007 will be published in the summer of 2007 and will be the first indicator of the level of our formula grant for the three years 2008/9 to 2010/11. In November 2008 we will find out our settlement position for those three years. This means that our assumptions about grant over the last two years of our current planning process (2008/9 and 2009/10) could be subject to change. At this point we are taking what is considered a prudent view that our formula grant will increase by just 3% in each of these years.

2.0 OVERALL BUDGET POSITION

- 2.1 The above settlement confirms the available resources for 2007/08. Analysis also shows no significant changes to the specific government grants. One area of uncertainty is the Dedicated Schools Grant (DSG). Whereas the amount per pupil is unchanged from that announced last year, the final level of grant received is determined by the pupil count in January 2007. The Council will therefore estimate the pupil count to assist in the determination of the budget, but the final level of DSG to be received in 2007/08 will not be known until April/May 2007. There are a number of budget pressures that it is currently assumed will be funded by DSG but this may be subject to reaching agreement with the Schools Forum.

2.2 The currently estimated budget position for 2007/08 is as follows:-

REVENUE BUDGET 2007/08 POSITION AS AT 6 DECEMBER, 2006

Resources Available

Settlement (RSG/NNDR)	305,923
Council Tax	126,005
Additional Resources (LAA and other)	54,638
Dividends	5,050
Use of reserves	2,384

TOTAL AVAILABLE **494,000**

Resources Needed

Corporate Requirements

Levies, contingency etc.

TOTAL CORPORATE REQUIREMENTS **108,602**

Service Requirements

Service Budgets at 06/07 levels	332,584
Inflation growth @ 2.25%	7,475
Allowance for growth Children's	4,190
Allowance for growth Adult's	5,253
Services and schemes funded from additional resources	55,076

TOTAL SERVICE REQUIREMENTS **404,578**

TOTAL RESOURCES NEEDED **513,180**

Less Efficiencies:

Manchester Improvement Programme **15,975**

TOTAL EFFICIENCIES **15,975**

Current Gap

Corporate (Net available less total needed)	3,205
Further pressures in Children's Services	1,958
Further pressures in Adult's Services	2,439

TOTAL GAP **7,602**

Notes: The corporate Gap shown above includes a shortfall of LAA resources of £437,149 that officers are confident can be eliminated on further review of the programme. In addition, it includes £3m of one-off expenditure that could be considered for funding from other sources.

3.0 ACTION TO MEET THE SHORTFALL FOR 2006/07

- 3.1 As Members will see from the preceding table, a considerable part of the gap between resources available and resources needed for the next financial year consists of pressures on the Children's Services and Adult Social Care budgets. These pressures are not unique to Manchester and, to some extent, are being felt by local authorities nationally. In relation to Adult Social Care the key factors are that more older people are living longer and remaining in need of care services for longer. There are also more people with physical disabilities and learning disabilities who need social care support. In relation to Children's Services the key pressures relate to increased residential placements and fostering of looked after children, increased external placements of children with Special Education Needs and the associated costs of home to school transport.
- 3.2 Further action will now be taken across all services to identify further reductions in spending to enable a balanced budget to be set. The objective is to identify further efficiency savings with no detrimental impact on the quality or quantity of services received by residents or customers. Recommendations will be brought to the Executive and the Financial and General Purposes Committee when the budget for next year is proposed.

4.0 BUSINESS PLANNING

- 4.1 As reported to the Committee at its last meeting, this year, officers have introduced more comprehensive business plans for all services. Draft plans are being produced for all services showing, over a three year time scale, detailed plans for the year ahead and indicative plans for the remaining two years. Business plans will provide a stronger alignment between the activities of services and the vision for the city set out in the Community Strategy. They will 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 The process of developing draft business plans to bring budgets into line with resources available for 2007/08 will also include indicative resource allocation of the following two years. This will update the Council's Medium Term Financial Strategy. As indicated earlier, the government has not provided settlement figures beyond next year and will only do so for the next three years in November 2007 following the outcome of the Comprehensive Spending Review 2007.
- 4.3 The business plans also describe the priorities for each area of service and how these help to deliver the Community Strategy. The identification of these priorities will enable us to revise the Corporate

Plan. Proposals for the revision of the Council's Corporate Plan will be submitted to the Executive during the final quarter of 2006/07.

- 4.4 At its last meeting, this Committee ask to see the following business plans to inform its discussions on the Council's budget position. These are attached at:-

Appendix 1: Assistant Chief Executive (Culture) Business Plan

Appendix 2: Head of Adult Education Business Plan

- 4.5 Members of the Committee are reminded that these are still draft plans and therefore may change. Business Plans are not subject to approval until March 2008.

5.0 EFFICIENCIES

- 5.1 In the last Comprehensive Spending Review in 2004 the government introduced efficiency targets for public services, including local government, following a review by Sir Peter Gershon. The Council has met all of its targets so far under the Gershon regime. In the Chancellor's pre budget report on 7th December the government announced an ambition for the forthcoming Spending Review of achieving at least 3% per annum cashable efficiency savings per year across central and local government. This is up from the target of 2.5% per annum efficiency savings (only half of which had to be cashable) over the 2004 Spending Review period. The MIP efficiency target for next year of just under £16m is in line with this higher efficiency target.

- 5.2 The target for next year of just under £16m is obviously extremely challenging. Achievement of this target will require a focused effort on behalf of the Council to use new technology to create shared back office functions, substantially improve commissioning and procurement, improved customer access and provide intensive support to individual service areas such as the Manchester Education Partnership and Adult Social Care.

6.0 ADDITIONAL FUNDING

- 6.1 In April this year, the council signed a Local Area Agreement (LAA) with the government for 2006/07 to 2008/09. The LAA sets agreed targets with government focused on delivery on the Community Strategy for Manchester. The LAA allows a range of additional funding streams to be pooled into four blocks (Economy, Children's, Safer and Stronger Communities, and Health) which will enable the authority, in conjunction with our partners on the Manchester Partnership, to focus funding more directly on Manchester priorities rather than specific objectives of individual funding regimes. These funds will have more significant impact if they deliver change in the way in which mainstream funding is applied. The LAA funds have therefore been built into the

business planning process to cover all funding. Overall totals for additional resources are included in the budget summary at paragraph 2 above.

7.0 AGREEING THE COUNCIL'S BUDGET FOR 2007/8

- 7.1 In addition, to the comments received from Overview and Scrutiny Committees, members of the public and other stakeholders will have the opportunity to comment on the Council's estimated budget position for 2007/8. All comments received on the budget position will be considered in the setting of the draft budget. A report outlining the draft budget, an indicative Medium Term Financial Strategy, and a summary of the comments received will be considered by the Executive on 14 February 2007. A meeting of the Finance and General Purposes Overview and Scrutiny Committee will then be called on 26 February 2007, to consider the Executive's budget proposal and any Opposition amendment proposals. The committee may also consider other budget issues at its ordinary meeting on 22 February 2007. A final draft budget will be presented for approval by Council on 7 March 2007.