

Manchester City Council Report for Resolution

Report to: Executive – 7 February 2018
Resources and Governance Scrutiny Committee – 19 February 2018

Subject: Medium Term Financial Strategy 2017/18 to 2019/20

Report of: Chief Executive and City Treasurer

Purpose of the Report

This report sets out the budget proposals for 2018/19 to 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 2018/19. 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 Schools Budget Report, the Capital Strategy and Budget 2018/19 to 2022/23 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 Provisional Local Government Finance Settlement issued on 19 December 2017;
- (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 Budget and 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 2018/19 to 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 -2022/23 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;
- (vii) Make specific recommendations to Council to approve for 2018/19:
 - a. an increase in the basic amount of Council Tax (i.e. the City's element of council tax) by 4.99% (including 3% for adult social care);
 - b. the contingency sum of £2.6m;

- c. the inflationary pressures and budgets to be allocated sum of £19.481m; and delegate the final allocations to the City Treasurer in consultation with the Executive Member for Finance and Human Resources;
 - d. the proposals for investment and to delegate to the City Treasurer in consultation with the Executive Member for Finance and Human Resources the process for drawing them down and allocating into cash limit budgets and the Manchester Health and Care Commissioning (MHCC) pooled budget;
 - e. corporate budget requirements to cover the cost of levies / charges of £68.557m, capital financing costs of £44.582m, additional allowances and other pension costs of £10.183m and insurance costs of £2.004m;
 - f. the estimated utilisation of £7.092m 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
 - g. the position on reserves as identified in the report and in Appendix 2 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 Children and Families Investment Reserve, Adult Social Care Reserve, City Centre Review Reserve and Our Manchester Reserve in conjunction with Executive Member for Finance and Human Resources;
- (ix) Approve the Directorate cash limits as set out in paragraph 95;
- (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.

Wards Affected: All

Our Manchester Strategy Outcomes	Summary of the contribution to the strategy
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities.	This report considers the medium term financial strategy for 2017/18 to 2019/20 that will 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 – as detailed in the report.

Financial Consequences – Revenue

The City Council remains committed to the three-year budget strategy established last year. 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 from 2018/19 to 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, 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 2018/19 to 2019/20.

The latest financial position for 2017/18 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.

Provisional local government finance settlement: England, 2018 to 2019, 19 December 2017 - <https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2018-to-2019>

Section 1 - Introduction

1. This report sets out the current financial assumptions for the City Council covering the three-year period 2017/18 to 2019/20. This period is in line with 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 19 December 2017 establishing a medium term financial plan for the remainder of the Spending Review period to 2019/20 inclusive. The final settlement will be issued in February 2018.
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 Capital Strategy and the Medium Term Financial Plan (Revenue). Last year a three-year Revenue Budget Strategy (2017-2020) and a five-year Capital Strategy (2017-2022) were agreed. These set out investment priorities which include support for the City's vulnerable adults and children as well as supporting economic growth, housing and neighbourhoods including investment in housing, schools and cultural and leisure facilities.
6. The three-year budget strategy followed consultation with Manchester people on what services matter most to them and on the options to identify £35m of savings. The budget set 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 budget proposals must be within the resources available to the Council. This report, therefore, considers the financial context 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.

National Context

8. The budget for 2018/19 is set in a period of continued reductions in government funding. The Local Government Association has estimated that Local Government services face a funding gap of at least £5.8 billion by 2019/20 (which includes a £2 billion funding gap for Children's social care). In addition there is an immediate £1.3 billion pressure to stabilise the adult social care provider market today. Between 2010 and 2020, Local Authorities will have seen reductions of £15.7 billion to core Government funding. Public health grant funding will have reduced by £531m between April 2015 and April 2020.
9. Rising demand for services due to an ageing population and years of underfunding have left adult social care services, in particular, with significant challenges. The introduction of the Adult Social Care Council Tax precept and the £2 billion in additional funding over the next three years have provided some breathing space, however, Local Government still faces an estimated funding gap of £2.1 billion by 2019/20. By 2025 it is anticipated there will be another 350,000 vulnerable or elderly people needing high levels of care.
10. Spending is increasingly concentrated on social care, both Children's and Adults, with many other service areas seeing substantial spending reductions. The breadth and depth of local authorities' service spending has narrowed as cuts have been made.
11. Where additional funding has been made available, often Local Government has been receiving short term measures to address specific problems rather than funding which will support the sector to achieve longer term sustainability.
12. Funding adjustments through increases in Council Tax have a disproportionate impact across the Country with those local authorities with a higher proportion of residential properties in Bands A-C unable to increase income levels to the same extent as those with the majority of properties in Bands D and above.

13. Whilst business rates retention is generally welcomed, there remains uncertainty regarding the stability of funding through this mechanism, most notably the future of 100% business rates retention (of which GM is a pilot) and the revaluation and reset of business rates in 2020.

The Position for Manchester

14. The priorities for the city are set out in the Our Manchester strategy. The population is continuing to grow with almost 550,000 residents in 2016. Manchester's population grew by 2.1% between 2015 and 2016, compared to 0.9% in England (ONS Mid-Year Estimate) and could grow to almost 650,000 by 2026.
15. Manchester is continuing to work to shape the future, particularly in terms of transport, skills, health and housing, with new powers devolved to the city region. Over the next ten years a number of global and national issues such as changing patterns of international trade as a result of Brexit and the enduring impacts of Climate Change, will impact on the City. The Capital Strategy will continue to focus on developing international trade and investment - local and national investment in infrastructure such as High Speed Rail across the North and to London - and investment in the drivers of growth such as the City Centre, the Oxford Road Corridor and the Airport City Enterprise Zone - in particular on the key sectors which will drive jobs and productivity e.g. Life sciences, advanced manufacturing and technology, leisure and culture, finance and professional services.
16. In respect of Climate Change, Manchester has set a target of reducing its 2005 CO2 emissions by 41% by 2020. This can only be achieved through a combination of local action and national policy on energy and transport. The Capital Strategy and the development of new policy frameworks in areas which are Green and Blue Infrastructure, Residential Design and, at a Greater Manchester level, through the GM Transport Strategy 2040, will drive forward the local actions.
17. While there has continued to be progress in growing the Manchester economy, there is still a long way to go to tackle the legacy of deprivation which remains.
18. Within the City, above the national average are qualified to degree level and above but there remains a disproportionate number with no or low skills and qualifications. This is reflected in the combination of high workplace wages and low resident wages. The £95 gap between resident and workplace wage is the largest of English core cities. In 2016 18% of Manchester's workforce were estimated to be paid less than the UK living wage of £8.25 an hour. For Manchester residents that percentage was estimated to be 31% - an increase from 27% the year before. Whilst the child poverty rate is reducing it is still high with the second highest rate in England, behind Tower Hamlets. In 2014 35.6% of children under 16 lived in low income households.

19. It remains a priority to restructure the City's economy and eliminate the level of exclusion which a still high proportion of residents experience through unemployment, low skills and low paid unstable work.
20. Enabling all residents to share in the City's economic success by getting good jobs will require further improvements in early year's services, schools and skills and employment programmes. Performance in schools is improving. Work continues to improve schools results but although improving, KS2 results are still below national average. The Attainment 8 score is improving at a faster rate and starting to close the gap. Education and training will need to be aligned with the skills which are needed by business in and around the City. Apprenticeships and action to tackle youth unemployment, particularly in the most deprived neighbourhoods, and for Children Leaving Care continue to be a top priority. Capital investment in schools will continue with investment in both the primary and secondary estate, to create both new places and to provide permanent accommodation for places where schools are currently using temporary facilities.
21. One of the financial challenges is to find ways of continuing to fund services when costs are increasing, especially as the City's population continues to grow and the resources available to the Council are reducing. This is especially true for Adult Social Care - the area where the Council spends the most - where integration at locality level with health services will provide better and more efficient services, and prevent some of the costs of people going into hospital or residential care. GM has the worst premature mortality rate from diseases considered preventable in the Country. Rates for cardiovascular disease and cancer are now improving and the GM Population Health Plan aspires to narrow the gap with the GM and England average. By 2021 if Manchester achieves its share of these targets there will be 174 fewer deaths from CVD, 383 fewer deaths from cancer and 168 fewer deaths from respiratory diseases.
22. Children's Services have been advised following the OFSTED inspection that they are no longer Inadequate. The service continues to experience significant demand with the projected rate of safeguarding referrals above target and last year's average and the challenge remains to safely reduce the number of looked after children towards the target of 1,000.
23. Tackling homelessness is fundamental to the Our Manchester Strategy. The ambitions in the strategy to be a thriving and sustainable, highly skilled, progressive and equitable, liveable and connected city, will be adversely affected if residents do not have the stability of a home. Concerns about homelessness featured heavily in the extensive consultation for the strategy.
24. There has been a significant increase in the numbers of households who are homeless in Manchester in recent years, including families, single people, young people, and people who are rough sleeping. This trend is also reflected nationally. This will become even more challenging with the roll-out of Universal Credit and the Homelessness Reduction Act 2017, which requires Local Authorities to take action earlier to prevent homelessness. Further work

will be needed with the Council's partners to plan for this further increase in demand.

25. Homelessness has also seen a change in the national funding regime which had a detrimental impact on the resources available to the City Council. The Council welcomed the national policy direction which proposed increased financial freedom and flexibilities to Local Authorities. However, the introduction of the Flexible Homelessness Support Grant to replace Temporary Accommodation funding, reduced the level of central funding from that received previously as it did not recognise the current scale of growth in homelessness currently being seen in the City.
26. The City's different neighbourhoods need the right mix of housing that people can afford. They need great schools, parks, sports and cultural facilities, good roads and transport links, streets and public spaces free of litter and antisocial behaviour. These are the basic requirements which should characterise all neighbourhoods within the City in order to retain and attract the people with the skills the economy needs both now and for the future. Residents have identified through the Our Manchester Survey that they value their local assets, with satisfaction with services mirroring the quality of available shops and amenities, green spaces, libraries and health services.
27. Confidence is returning to the housing market and approximately 3,000 new homes are expected to complete in 2017/18 and the upturn in completions and spike in developments starting onsite suggests recovery in housebuilding is now well underway. The Residential Growth Strategy (2016-2025) sets out the city's plans to deliver a minimum of 25,000 new homes, including affordable homes, over next decade. This is alongside investment in key infrastructure such as the additional £100m invested into highways which will see roads in every neighbourhood improved, continuing work to maintain housing managed by the Housing Revenue Account, and capital investment in both the Eastern and Northern Gateway to unlock housing sites.
28. As year two of the budget approaches these strategies have been updated to reflect the current resource position and further development of the priorities for the City. Despite the pressures being faced the Council is determined to keep on track and to make the agreed priorities work for Manchester.
29. The budget is not just about how to manage within reducing resources but also on where funding should be invested to deliver on resident priorities. The priority areas of investment agreed across both revenue and capital budgets for 2017/20 included:
 - £100m to improve roads in every neighbourhood over five years
 - £24m on building and refurbishing leisure centres (£50m from 2014)
 - £6m improving housing with care for older people over the next three years
 - £3m on supported housing for adults with learning disabilities; and
 - £22.8m over three years to help join up health and community services in East Manchester.

30. Alongside this the City Council together with its partners are spending carefully now on prevention and early help, giving families strengths and self-reliance so they will benefit from greater self-determination and improved life chances and, in so doing this should offset the need for costly support in years to come.
31. The Council is determined to listen and act on Manchester people's priorities and to put people first by supporting vulnerable children and adults, improving neighbourhoods and investing carefully to get the best value for money - making sure Manchester people benefit from the jobs and training that brings.
32. In addition the Council has a duty to ensure:
 - it continues to meet its statutory duties
 - Governance processes are robust and support effective decision making
 - its Medium Term Financial Strategy reflects the significant challenges being
 - faced and remains responsive to the uncertainties in the economy by continuing to deliver against its savings targets
 - its savings plans are clearly communicated and link to specific policy decisions, with the impact on service provision clearly articulated
 - it has the appropriate levels of reserves and that it closely monitors its liquidity to underpin its financial resilience
 - it continues to provide support to members and officers responsible for
 - managing budgets
 - it prepares its annual statement of accounts in an accurate and timely manner

The Provisional Financial Settlement 2018/19

33. Between 2010/11 and 2017/18 the Council has seen:
 - Around a 30% cut in service related spend (From £574m in 2010/11 to £408m in 2017/18)
 - A 40% reduction in the workforce
 - A 34% cut in spending power over the period – 11.8% worse than the England average.
 - A reduction in Spending Power per Head (2010-11 to 2017-18) of £356.51 (which ranks as the 10th largest cut nationally)
34. The Government offered any council that wished to take it up, a four-year funding settlement to 2019/20, making a commitment to provide minimum allocations for each year of the Spending Review period. The Council took up this offer. The multi-year settlement includes the Revenue Support Grant (RSG) and Business Rates - tariff and top up payments.
35. The 2017/20 settlement led to the need for further savings of £37m to offset funding reductions and meet unavoidable pressures and investment requirements. This underpinned the existing three year Medium Term Financial Plan (MTFP).

36. The Spring Budget 2017 announced an additional £2 billion over three years for adult social care. The City Council was allocated additional funding of £12.917m in 2017/18, £7.64m in 2018/19 and £3.78m in 2019/20. The grant is to be spent on Adult Social Care for the purposes of meeting adult social care needs, reducing pressures on the NHS and stabilising the social care provider market. This has now been included in the updated MTFP.
37. The Provisional Local Government Finance Settlement was released on 19 December 2017. Whilst the multi-year settlements that were announced in 2016/17 were broadly confirmed there were some further technical and other changes which increased the Council's overall resources by £5.4m in 2018/19 and £4.8m for 2019/20. The Final Finance Settlement will be laid before the House of Commons in February 2018. Note the City Council has previously accepted the Government's offer of a four-year financial settlement for the period 2016/17 to 2019/20. There is no information on what will happen after 2019/20.
38. The main changes are from the Provisional Settlement are:
- **Changes to how the business rates tariff has been calculated following the revaluation.** This follows a review by the Valuation Office Agency (VOA) of the rateable value included for each Local Authority and the Authority's ability to raise revenue from business rates. This has seen a reduction in the tariff (or charge) for Manchester. The impact is a net increase to the council's resources of £4.2m in 2018/19.
 - **Compensation for under-indexing the business rates multiplier -** Changes to the business rates multiplier are offset by reduced business rates income, with no net impact on the Council's position.
 - **Business Rates Retention -** Agreement of a further 10 business rates pilots, mainly in two tier areas. Confirmation that from 2020/21 there will be a national move to 75% business rates growth retention. The existing pilots will continue in 2018/19 but there is no confirmation of what will happen in 2019/20.
 - **Council Tax –** The council tax referendum limit has increased by 1% and Council's may increase their council tax in line with this uplift, if they wish to do so.
 - **Improved Better Care Fund -** This includes additional Social Care Grant announced in the Spring Budget of March 2017. This is already built into the Council's budget.
 - **New Homes Bonus -** The settlement has a minor increase of £64k above that budgeted for.
 - **Housing Benefit and Council Tax Admin Grants** have reduced by £364k.

39. The above changes to resources bring a net benefit of c£3.9m in 2018/19 and £2.8m in 2019/20. The summary for 2018/19 is as below:

Tariff adjustment	£4.212m
New Homes Bonus	£0.064m
Housing Benefit Administration Grant	<u>(£0.364m)</u>
Net Increase	£3.912m

The figures generated take into account the fact 50% of the benefit from piloting the 100% rates retention scheme for 2018/19 will go to the Greater Manchester Combined Authority (GMCA).

40. Subsequently the VOA revised the data on the change in rateable value between rating lists. As a consequence of the revised data issued by the VOA on 18 January 2018, the tariffs and top ups published in the Provisional Settlement were amended. This resulted in a gross reduction of £633k (net £493k) to the original tariff adjustment with the assumption that this will be met by additional business rates income. Once all adjustments have been included there is an overall net increase of £3.419m.
41. The Dedicated Schools Grant (DSG) notification for 2018/19 was received alongside the Provisional Finance Settlement on 19 December 2017 and totalled £518.57m, £20.58m higher than 2017/18. This is in line with expectations.

The Medium Term Financial Plan

42. 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 and the Council's statutory duties.
43. 2018/19 is the second year of the three year Medium Term Financial Plan (MTFP) approved in March 2017. Whilst the overall strategic direction and ambition set out in the Our Manchester Strategy and from consultation with residents has not changed a number of the underpinning assumptions have. 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 recent Finance Settlement as set out above and the Adult Social Care grant which was 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.
44. This report sets out proposals to address those issues
45. 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: Capital Investment Strategy
- Section 10: Consultation
- Section 11: Legal Issues
- Section 12: Reasonableness of the Estimates
- Section 13: Robustness of the Estimates
- Section 14: Risks and Mitigation
- Section 15: Budget Scrutiny
- Section 16: Conclusion

Section 3 - Financial Context

Original Financial Position 2018/19 to 2019/20

46. A three year budget was agreed at March 2017 Budget Council. This has been restated to take into account the following:
- the allocation of corporately held budgets for items such as inflation (non-pay and pay), meeting the minimum wage requirements and other agreed growth items;
 - The adult social care grant announced in the Spring Budget 2017. For Manchester the allocations were £12.92m in 2017/18, £7.64m in 2018/19 and £3.78m in 2019/20. The details of how this grant is being utilised are set out in the Adult Social Care report.

Table 1 – Budget per approved MTFP

	2017 / 18 Revised Baseline £000	2018 / 19 Revised Baseline £000	2019 / 20 Revised Baseline £000
Resources Available			
Revenue Support Grant	0	0	0
Business Rates Baseline	309,747	319,711	331,086
Business Rates Top Up / (Tariff)	600	(21,737)	(44,977)
Public Health Funding	0	0	0
<i>Baseline Funding Level</i>	<i>310,347</i>	<i>297,974</i>	<i>286,109</i>
(Reduced) / Additional Business Rates Income	(11,952)	(5,190)	(3,154)
Business Rates Grants	19,160	19,778	20,463
Council Tax	146,507	153,272	160,140
Other non ring fenced Grants	35,869	35,424	40,932
Dividends and Use of Reserves	44,471	44,471	44,471
Use of other Reserves	2,525	3,493	0

	2017 / 18 Revised Baseline £000	2018 / 19 Revised Baseline £000	2019 / 20 Revised Baseline £000
Total Resources Available	546,927	549,222	548,961
Resources Required			
<i>Corporate Costs:</i>			
Levies/Charges	69,177	71,186	68,776
Contingency	1,537	2,600	2,100
Capital Financing	44,582	44,582	44,582
Transfer to Reserves	7,400	3,050	3,409
<i>Sub Total Corporate Costs</i>	<i>122,696</i>	<i>121,418</i>	<i>118,867</i>
<i>Directorate Costs:</i>			
Additional Allowances and other pension costs	10,283	10,183	10,183
Insurance Costs	2,004	2,004	2,004
Directorate Budgets	408,133	401,519	393,759
Inflationary Pressures and budgets to be allocated	3,811	14,098	24,148
<i>Total Directorate Costs</i>	<i>424,231</i>	<i>427,804</i>	<i>430,094</i>
Total Resources Required	546,927	549,222	548,961
Total	0	0	0

47. The main assumptions behind the approved budget were as follows:
- All years assumed participation in the 100% business rates pilot. The figures however assumed the Council would be no better or worse off as a result of the pilot. The position also included an assumption of growth of £5m per annum.
 - A council tax increase of 4.99% in 2017/18 and 2018/19 and 1.99% in 2019/20.
 - All other resources and spend budgets were based on the most up to date information available at the time.

48. The approved savings included in the MTFP totalled £36.9m as set out in the table below

Table 2 – Approved savings within the MTFP

Summary by Directorate	2017/18 £000	2018/19 £000	2019/20 £000	Total £000
Adults	6,065	4,814	4,000	14,879
Children's	1,694	220	180	2,094
Corporate Core	6,207	2,945	2,160	11,312
Growth and Neighbourhoods	2,119	1,250	4,510	7,879
Strategic Development	783	0	0	783
Total	16,868	9,229	10,850	36,947

Further Proposals for 2018/19 to 2019/20

Resources Review

49. As part of the 2018/19 budget preparation there has been a full review of resources available. This resulted in a net increase in the 2018/19 resources available of c£25m when compared to the rebased budget as approved as part of the 2017/20 strategy. This is made up of £3.7m (net of no detriment) from technical changes as part of the Provisional Finance Settlement, additional business rates income £8.6m (including the City Council's share of the benefits from the 100% growth retention pilot), additional council tax income (£3m), £8.9m recently announced airport dividend and £2.5m release of reserve. This is partly offset by a £1.3m reduction in other grants.
50. These are summarised in the table below and explained in the following paragraphs.

Table 3 – Additional Resources

	2018 / 19 Revised Baseline £000	2018 / 19 Proposed budget £000	Difference £000
Business Rates Top Up / (Tariff)	(21,738)	(16,630)	5,108
Business Rates Top Up / (Tariff) - No Detriment Adjustment	0	(1,389)	(1,389)
Business Rates Income	314,522	323,138	8,616
Business Rates Grants	19,778	19,778	0
Council Tax	153,272	156,239	2,967
Other non ring fenced Grants	35,424	34,142	(1,282)
Dividends and Use of Reserves	44,471	53,342	8,871
Use of other Reserves	3,493	5,993	2,500
Total Resources Available	549,222	574,613	25,391

51. The forecast business rates income has been reassessed. It now includes the Council's share of the benefit of moving to 100% rates retention pilot following the provisional agreement of the share between the Council and the Greater Manchester Combined Authority together with the Council's share of the business rates surplus from 2017/18. This will generate an additional £8.616m in 2018/19.
52. *Council Tax* – Forecast income has increased by £2.967m which relates to an additional 2017/18 Collection Fund surplus of £2.444m and £0.523m from further growth in the council tax base.
53. *Other non ring fenced grants* – These have reduced by £1.3m. This relates to the updated notifications for New Homes Bonus Grant which reduced by £0.973m when updated for the latest taxbase then improved slightly in the settlement by £64k (net reduction of £0.909m). In addition the Housing Benefit

Admin Subsidy (£364k) and Council Tax Admin Grant (£9k) are less than originally budgeted.

54. *Dividends* - As set out in the MTFP it was agreed that any additional dividends received should be used in the Revenue budget. Following the December notification from Manchester Airport Group the total 2017/18 dividend received by the council is £52.942m, an increase of £8.871m. The increase has been placed in a reserve and will be used in 2018/19.
55. *Use of other reserves* – A review of reserves has been carried out and this identified £5m which is no longer required and can be released for use over 2018-20 to support the revenue budget.

Corporate Costs

56. The following changes are recommended.
57. *Waste Levy* - £2.6m savings from the change in the waste levy contract have been achieved a year earlier than originally budgeted for. It is proposed that £1.5m is used to replenish General Fund reserve with the balance supporting investments as set out later in this report.
58. *Budgets to be allocated* – Increases are recommended of £5.4m as shown in the table below. The main items are as follows;
- Additional Pay inflation of £2.6m based on an assumed pay award of c2% (previously assumed at 1%)
 - Non-pay inflation at 2% of net running costs each year (previously 1%) reflecting contractual commitment to pay inflationary increases and the growing pressure in areas such as social care contracts.
 - Costs linked to the recent case law in relation to the method of calculating holiday pay for staff, taking account off all regular earnings rather than basic pay only.
 - Reduced income from the Housing Revenue Account (HRA) due to reductions in central recharges chargeable to the HRA.

Table 4 – Additional Budgets to be Allocated.

	2018/19 £000
Corporate budgets:	
Increase General Contingency	503
Pay Award	2,600
Additional costs of meeting contractual commitments	2,000
Holiday Pay Ruling	160
Reduced Income from the HRA	120
Corporate Investment	5,383

Directorate Investment Proposals

59. There has been a full review of how the resources available are utilised to invest in the priority areas agreed with residents. In order to help support these investment priorities and deliver a balanced budget Directorates have also had to put forward Budget Delivery Plans to reduce resource commitments. These are detailed within individual Directorate budget and business plans and the net position for each is summarised in the tables below.

Table 5 – Directorate Investment Proposals

Increase In Directorate Budgets	2018/19 £000	2019/20 £000
Adults (exc Homelessness)	5,759	15,115
Adults (Homelessness)	3,495	3,495
Children's Services	6,882	7,126
Corporate Core (inc Highways)	2,255	1,490
Growth and Neighbourhoods	2,105	2,105
Strategic Development	-	-
Increase In Directorate Budgets	20,496	29,331

60. Highlights from the proposed investments and delivery plans for 2018/19 and 2019/20 are listed in the paragraphs which follow:

Adult Social Care

61. Increased investment in services to vulnerable people including older people and those with learning disabilities and mental health needs.

Homelessness

62. For Homelessness, the additional investments include:
- £2.1m additional funding for Homelessness which is largely to compensate for the reduction in government funding for temporary accommodation following the introduction of the new Flexible Housing Support Grant;
 - £0.5m towards the costs of the Homelessness Hub; and
 - £0.9m for priorities for homelessness identified from the City Centre Review

63. Further work is being undertaken to look at the homelessness offer to reduce cost pressures and provide capacity to meet demand.

Children and Families

64. Increased investment required to support looked after children and young people leaving care.

Corporate Core including Highways

65. The Corporate Core includes:
- Support for residents following the roll out of Universal Credit;

- Increase capacity to provide Discretionary Housing or Hardship Payments;
- Additional funding for food banks; and
- Increased investment in the Contact Centre to meet the increasing demand and further capacity to optimise the collection of business rates.

Growth and Neighbourhoods

66. Growth and Neighbourhoods include investment for:
- Waste collection and management,
 - Tackling fly tipping, and
 - Investment in City Centre priorities of tackling crime, anti-social behaviour and environmental issues.

Section 4 – Updated Savings Proposals

67. After taking account of the proposals above the total existing saving targets and additional Delivery Plan proposals total £25.482m in 2018/19 and a further £9.022m in 2019/20.

Table 6 – Updated Savings and Budget Delivery Plans

	2018/19			2019/20			2 Year Total Savings £000
	Current MTFP	Proposed Delivery Plan	Total	Current MTFP	Proposed Delivery Plan	Total	
	£000	£000	£000	£000	£000	£000	
Adults	4,814	3,705	8,519	4,000	(3,982)	18	8,537
Children's	220	10,463	10,683	180	2,089	2,269	12,952
Corporate Core	2,945	478	3,423	2,160	65	2,225	5,648
Growth and Neighbourhoods	1,250	1,607	2,857	4,510	0	4,510	7,367
Strategic Development	0	0	0	0	0	0	0
Total Savings identified	9,229	16,253	25,482	10,850	(1,828)	9,022	34,504

Section 5 - Overall Financial Position

68. The changes outlined above would enable a balanced budget to be achieved for 2018/19. Full assumptions are set out in the paragraphs which follow.
69. 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 there will be a resource gap in 2019/20, and the revised financial position will be in line with the table below.

Table 7: Summary of Resources Available and Budget Requirements for 2017/18 to 2019/20

	2017/18 Revised Budget £000	2018/19 Proposed Budget £000	2019/20 Proposed Budget £000
Resources Available			
Revenue Support Grant	0	0	0
Business Rates Baseline	309,747	314,212	241,901
Business Rates Top Up / (Tariff)	600	(16,630)	41,536
Public Health Funding	0	0	0
<i>Baseline Funding Level</i>	310,347	297,582	283,437
(Reduced) / Additional Business Rates Income	(11,952)	7,537	18,868
Business Rates Grants	19,160	19,778	15,535
Council Tax	146,507	156,239	161,690
Other non ring fenced Grants	35,869	34,142	39,662
Dividends and Use of Reserves	44,471	53,342	53,342
Use of other Reserves	2,525	7,983	4,490
Resources to be identified	0	0	11,801
Total Resources Available	546,927	576,603	588,825
Resources Required			
<i>Corporate Costs:</i>			
Levies/Charges	69,177	68,557	69,329
Contingency	1,537	2,600	2,100
Capital Financing	44,582	44,582	44,582
Transfer to Reserves	7,400	7,181	3,409
<i>Sub Total Corporate Costs</i>	<i>122,696</i>	<i>122,920</i>	<i>119,420</i>
<i>Directorate Costs:</i>			
Additional Allowances and other pension costs	10,283	10,183	10,183
Insurance Costs	2,004	2,004	2,004
Directorate Budgets	408,133	422,015	423,090
Inflationary Pressures and budgets to be allocated	3,811	19,481	34,128
<i>Total Directorate Costs</i>	<i>424,231</i>	<i>453,683</i>	<i>469,405</i>
Total Resources Required	546,927	576,603	588,825
Balance / Gap	0	0	0

70. As stated previously, the final budget position will be subject to the agreement of the funding requests which have been put forward. Should there be a requirement for further resources to be identified as a result, these will 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.

Section 6 - Underpinning Financial Assumptions

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

Resources Available

72. **Baseline Funding Level** - For information the Baseline Funding Level for years 2017/18 to 2019/20 are shown in the table below on the 50% basis. As set out earlier in this report the current assumption is that the council will retain 100% of business rates in 2017/18 and 2018/19 reducing to 75% in 2019/20. Revenue Support Grant and Public Health Grant will not actually be received and the Top Up / Tariff will be amended to reflect the increased rates retained.

Table 8 - Baseline Funding Level 2017-20

	2017/18 £000	2018/19 £000	2019/20 £000
Notional Revenue Support Grant	90,152	73,740	57,041
Business Rates Baseline at 49%	153,309	155,519	160,178
Top Up / (Tariff) at 49%	13,636	16,442	15,597
Notional Public Health Grant	53,250	51,881	50,621
Baseline Funding Level	310,347	297,582	283,437

73. **Additional Business Rates Income** - This is the estimate of the additional business rates income above the baseline and includes growth, the Council's share of the benefit of the rates retention pilot, and the Council's share of the business rates surplus relating to 2017/18.
74. *Changes to the Top Up / Tariff Payment* - The Tariff or Top Up is an amount paid to or received from Government to adjust income from business rates and bring it in to line with the Government's assessment of baseline funding level required. After the April 2017 revaluation, tariffs and top ups were adjusted to ensure that a Local Authority's relevant income was the same following the revaluation as before – this is fiscally net neutral at a national level. An adjustment was made for this in the 2017/18 settlement, with further adjustments to correct in 2018/19. As a result of the 2018/19 changes Manchester's tariff payment has reduced by £5.1m from £21.7m to £16.6m.
75. Following the reductions in tariff payments the 'no detriment' formula has been recalculated which quantifies the total benefits of the 100% business rates growth retention pilot. The effect of this change is a reduction in resources of £1.4m in 2018/19, it is proposed this is met from a transfer from the business rates reserve. The net improvement in council funds from the tariff change is £3.7m as per paragraph 37.
76. *Business Rates Income* - The Government has confirmed that the 100% business rates growth retention pilot for Greater Manchester will continue for 2018/19. There is no confirmation of what will happen beyond next year. It

has been assumed the pilot will continue at 75% rates retention in 2019/20, in line with the Government announcement regarding a proposed 75% retention for all Local Authorities from 2020.

77. **Business Rates Grants** - Grants of £19.8m are forecast for 2018/19. Section 31 grants are awarded to offset the reduction in business rates yield due to the changes announced by government. This includes grant in relation to the cap on the increases to business rates in 2014/15 and 2015/16, grants for the extending of the 100% Small Business Rates Relief and to compensate for the increase in the small business rates multiplier threshold. The most recent as announced in the settlement is a grant to compensate for the annual increase in business rates being based on CPI rather than RPI.
78. All grants have been increased to reflect Manchester's increased business rates share as a result of being part of the rates retention pilot. In addition the cost of discounts, awarded to qualifying businesses within the Enterprise Zones, is reimbursed to the Council.
79. *Business Rates Income* - The Government has confirmed that the 100% business rates growth retention pilot for Greater Manchester will continue for 2018/19. There is no confirmation of what will happen beyond next year. It has been assumed the pilot will continue at 75% rates retention in 2019/20, in line with the Government announcement regarding a proposed 75% retention for all Local Authorities from 2020.
80. The variation from budget for these grants is proposed to be transferred to or from the business rates reserve.

Table 9 - Forecast Business Rates Grants 2017/18 to 2019/20

	2017/18	2018/19	2019/20
	£000	£000	£000
To Fund RPI to CPI change	0	2,874	4,438
Small Business Rates Relief	12,110	12,406	9,397
Pub Relief	150	153	0
Multiplier Cap	4,288	4,390	3,344
Discretionary Revaluation	354	0	0
Long term empty property relief	120	123	93
Enterprise Zone discounts	735	752	767
Adjustment to Top up in relation to multiplier cap	219	219	219
Transfer from / (to) BR reserve	1,184	(1,139)	(2,723)

81. In summary the total business rates related income available is as set out below.

Table 10 – Business Rates Funding 2017-20

	2017/18 £000	2018/19 £000	2019/20 £000
Business Rates Baseline	309,747	314,212	241,901
Business Rates Top Up / (Tariff)	600	(16,630)	41,536
(Reduced) / Additional Business Rates Income	(11,952)	7,537	18,868
Business Rates Grants	19,160	19,778	15,535
Business Rates related funding	317,555	324,897	317,840

82. **Council Tax** – There have been various changes to the council tax which are broken down below. These are:

- Referendum criteria - As part of the 2017-20 budget strategy, council tax rises for 2018/19 were agreed at 1.99% along with a further 3% specifically to care for vulnerable adults. This will raise just over £7m, but will not cover all of the pressures faced by services. The 2018/19 Local Government Provisional 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 2018/19 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% for all years from 2017/18.
- The base is assumed to increase by 2.9% in 2018/19 and 3.2% in 2019/20 which is in line with expected residential completions per Manchester's draft Strategic Housing Land Availability Assessment.

83. The impact on these changes on the 2018/19 position is:

- General precept rate increase of 1.99% raises £2.877m
- Adult Social Care increase of 3% raises £4.337m
- Increase to the base used for budget setting £4.014m

Table 11– Net Council Tax Income Increase 2017-20

	2017/18 £000	2018/19 £000	2019/20 £000
General Increase 1.99%	2,664	2,877	3,116
Adult Social Care Increase 3%	4,017	4,337	0
Increase to Tax Base and collection rate	5,192	4,014	4,778
<i>Change from prior year surplus*</i>	<i>(1,983)</i>	<i>(1,496)</i>	<i>(2,443)</i>
Net Council Tax Income Increase	9,890	9,732	5,451

* The surplus reduced from £7.923m in 2016/17, to £5.940m in 2017/18 and £4.444m in 2018/19.

84. The table below lists the **other non-ringfenced grants** expected.

Table 12 - Other Non-Ringfenced Grants 2017/18 to 2019/20

	2017/18 £000	2018/19 £000	2019/20 £000
Better Care Fund (Improved)	3,266	14,762	24,374
Additional Better Care Fund (Improved)	12,917	7,644	3,775
New Homes Bonus	9,587	6,420	6,135
New Homes Bonus Adjustment Grant	394	0	0
Adult Social Care Support Grant	2,678	0	0
Education Services Grant	2,598	1,260	1,322
Housing Benefit Admin Subsidy	3,000	2,636	2,636
Universal Credit Funding	314	314	314
Council Tax Support Admin Subsidy	953	944	944
Care Act Grants	162	162	162
Total Non-Ringfenced Grants	35,869	34,142	39,662

85. Issues around the most significant grants are as follows:

- **Improved Better Care Fund** - Indicative allocations were provided as part of the 2017/18 settlement for local government Better Care Fund starting in 2017/18 and totalling £1.5bn nationally by 2019/20. Of this Manchester received £42.4m over the three years 2017-20.
- The Spring Budget 2017 included an announcement of an additional £2bn over 3 years 2017-20 towards spend on adult social care services. This is to ensure councils can 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 will be set out in the Adult Social Care report. There is no certainty on how this will be funded beyond 2019/20 and funding for Adult Social Care, in general, will need to be considered in light of the recommendations of the Adult Social Care Green Paper which is due later this year.
- **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. The total is £240m nationally of which £2.678m has been allocated to Manchester. This was a one off grant in 2017/18 and was met through adjustments to the funding for New Homes Bonus.
- **New Homes Bonus (NHB)** - The reduction in 2018/19 reflects the Government's decision to reduce the number of years for which legacy payments are made from five years in 2017/18 to four years from 2018/19.

The Government has also introduced a baseline for housing growth at 0.4% below which NHB is not received.

- **Education Services Grant** - This was £2.6m in 2017/18, reducing to £1.260m in 2018/19 and £1.322m in 2019/20. The reduced amount is the estimated receipt for the retained funding from DSG to fund statutory duties at a rate of £15 per pupil. Savings of £1m were identified in Children’s Services to contribute to the reduction.

86. **Dividend Income** is forecast as follows:

- For 2018/19 onwards the total airport dividend supporting the revenue budget will be £52.942m.
- Of this dividend, £14.91m relates to the dividend announced 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.
- There is also £400k expected for other dividends (NCP and Piccadilly Triangle).

87. **Use of other reserves to support the revenue budget** is £7.983m in 2018/19 of which £2.500m relates to the use of a reserve previously set aside for historic abuse claims, £3.493m from capital fund, £490k business rates reserve and £1.500m LAC reserve. In 2019/20 it is proposed that a further £2.5m of the historic abuse claims reserve is used, £1.500m LAC reserve and £490k Business Rates reserve.

Resources Required

88. The table below sets out the forecast **levy payments**.

Table 13 - Levy Payments 2017/18 to 2019/20

	2017/18 £000	2018/19 £000	2019/20 £000
Transport Levy	19,985	55,077	38,061
GM Waste Disposal Authority*	49,496	13,792	31,580
Environment Agency	204	196	196
Probation (Residual Debt)	22	22	22
Magistrates Court (Residual Debt)	9	9	9
Port Health Authority	71	71	71
Total Levies	69,787	69,167	69,939
Use of Parking Reserve	(610)	(610)	(610)
Net Cost of Levies	69,177	68,557	69,329

** Although included within the table of levies / charges above, the Waste Levy is administered by Growth and Neighbourhoods 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 to the WDA impact on*

future levies which are tonnage based. It has been included above to give a complete view of the levies / charges paid.

89. 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. This reflects savings the Council has made following service changes implemented to improve recycling rates. The final charge will depend not just on Manchester's performance against its waste targets but also on how all the other Districts within the scheme perform. An additional contingency sum of £2m has been included within the Council's corporate contingency in 2018/19 to cover any potential increased charge.
 - In order to facilitate changes in the waste contract there was a transfer in 2017/18 to allow the WDA to increase revenue spend by £77.1m. To assist Districts in meeting this cost the Transport Levy was reduced on a one-off basis to give the necessary financial capacity. The amount for Manchester was £16.927m with a corresponding reduction in the Transport Levy, this reverses in 2018/19.
 - Transport Levy assumptions take account of the proposal for no increase in the overall levy over the three years. The change in Manchester's population in comparison to Greater Manchester as a whole has been taken into account in these figures. As explained above the Transport Levy figure for 2017/18 included a one off reduction of £16.927m to facilitate the increase to the Waste Levy. This has been reimbursed in 2018/19.
90. The required **contingency** amount includes:
- Additional £2m for 2018/19 and £1.5m in 2019/20 in relation to risks around waste and
 - £0.6m in 2018/19 and 2019/20 as an unallocated contingency to meet future unforeseen expenses.
91. **The capital financing budget** of £44.582m supports the costs of borrowing.
92. **Transfers to reserves** of £7.181m in 2018/19 and £3.409m in 2019/20 relate to:
- Minimum Revenue Provision (MRP) Saving transferred to the Town Hall Reserve £2.1m in 2018/19 and £2.4m in 2019/20
 - Transfer to Children's LAC reserve of £950k in 2018/19 and £1.009m in 2019/20
 - Replenishing the General Fund reserve £1.531m in 2018/19
 - Increase the Better Care Reserve by £2.6m in 2018/19 for Adult Social care models and Local Care Organisation costs
93. **Additional allowances for former staff and teachers' pension costs** total £10.183m in 2018/19 and 2019/20 (teachers £5.455m and non-teachers £4.728m) 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.
94. **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

95. 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 £49.496m in 2017/18, £13.792m in 2018/19 and £31.580m in 2019/20 which is shown against Corporate Items but will be monitored by Growth and Neighbourhoods.

Table 14 – Cash Limit budgets

	2017 / 18 £'000	2018 / 19 £'000	2019 / 20 £'000
Children's	103,325	115,352	115,890
Adults	177,274	179,026	183,098
Corporate Core	79,603	78,283	75,358
Growth and Neighbourhoods	42,292	43,715	43,105
Strategic Development	5,639	5,639	5,639
Total	408,133	422,015	423,090

Section 7 - Financial Reserves

96. 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 fundamental review of all the reserves held has been carried out as part of the budget setting process.
97. 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 – under accountancy standards these are held in a reserve
98. The table below shows an analysis of the planned use of reserves in 2017/18 to 2019/20 to support revenue expenditure.

Table 15 - Use of reserves to support the budget 2017-20

	2017 / 18 £'000	2018 / 19 £'000	2019 / 20 £'000
Statutory Reserves:			
Bus Lane and Parking reserves	7,069	7,092	7,092
Other Statutory Reserves	161	38	38
Balances Held for PFI's	152	100	100
Small Specific Reserves	116	51	51
Reserves held to smooth risk / assurance:			
Airport Dividend Reserve	29,161	29,161	29,161
Adult Social Care Reserve	2,000	0	0
Business Rates Reserve	2,599	2,168	5,490
Historic Abuse Claims Reserve	0	2,500	2,500
Other Reserves held to smooth risk / assurance	920	521	550
Reserves held to support capital schemes:			
Capital Fund	11,014	6,507	9,078
Other reserves held to support capital schemes	3,520	3,639	2,933
Reserves held to support growth and reform:			
Clean City Reserve	897	2,013	0
Children's and Families Investment Reserve	5,521	3,514	2,820
Better Care Reserve	2,101	7,609	1,087
Town Hall Reserve	4,214	2,988	3,620
City Centre Reserve	1,780	2,720	0
Our Manchester Reserve	668	2,524	2,543
Other Reserves to support growth and reform	1,789	132	0
Grants and Contributions used to meet commitments over more than one year	1,674	950	0
General Fund	4,920	0	0
	80,276	74,227	67,063

99. Further detail on the main proposed use of reserves to support revenue expenditure is set out in more detail in the paragraphs which follow.
100. *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, and provided there is no requirement for the Council to provide additional off street parking or for financial support to existing off street parking. The expected balance on these reserves at the 1 April 2018 is £6.754m. It is estimated that £7.319m will be added to these reserves during 2018/19 and £7.092m used. It will be used in accordance with these requirements to fund spend in the Growth and Neighbourhoods Directorate.

101. *Airport Dividend Reserve* - As set out above the additional elements of airport dividend will be used to support the budget a year in arrears for prudence, so will be held in a reserve.
102. *Business Rates reserve* – The proposed 2018/19 use of £2.168m of which £490k relates to investment within Revenue and Benefits as set out above, the balance relates to changes in the settlement including the effects on no detriment. The 2019/20 use of £5.490m relates to the £5m supporting the budget and the £490k Revenue and Benefit investment.
103. *Children and Families Investment Reserve* - The Council was subject to an Improvement Notice, issued in March 2015, following the publication of the Ofsted Inspection report in September 2014 and has been working to show significant and sustainable improvement. Since the Inspection the Council has demonstrated its commitment and focus to delivering the changes and improvements required. Over £24m was committed to the wider Children's Services, specifically related to improvements in the Looked After Children's Service (LAC), address the short fall in the Early Help Services and increase social work capacity. This together with the attention to creating the right conditions for change, will enable social workers to practice more effectively, which will result in more timely outcomes for children and a resulting reduction in cost. The focus on early help and the effectiveness of arrangements at the front door, as well as permanence will reduce demand in the system.
104. The approved MTFP proposed a c£1m a year increase in this reserve. The updated proposals recommend an additional £1.5m a year which is partly funded from the release of City Centre review reserve.
105. *Town Hall Reserve* - The refurbishment of the Town Hall, which is included within the proposed Capital Programme Budget will also have revenue implications such as the cost of financing capital, alternative accommodation costs, and loss of income over a number of years; offset in part by reduced spend on maintenance and utilities.
106. The MTFP approved that savings in Minimum Revenue Provision (MRP) policy were used to fund the revenue costs. It is proposed that £4m is transferred here from the business rates surplus which should be adequate to fund the revenue costs up to the end of the project in 2023/24.
107. *City Centre Review Reserve* - As approved in the 2017/18 budget £4.5m was made available to enable delivery of the objectives of the review. C£1.7m is expected to be spent this year. It is now proposed this work is mainstreamed in 2018/19 with a £3m budget. This has enabled the release of the balance of this reserve (£2.7m) to increase the Children's and Families Investment reserve and fund LAC pressures.

Section 8 - Workforce Implications

108. The Council's workforce will be the essential driving force behind Our Manchester. A refreshed People Strategy, *Our People*, has been developed, informed by the BHeard Survey and significant engagement with staff and partners. The Strategy has Our Manchester at its heart and sets a clear ambition to embed the Our Manchester behaviours across the organisation through both the way our people work and the policies, procedures and structures that support them.
109. The remaining two years of this budget cycle will be more manageable, in terms of workforce reductions than the period 2011-2015, when the organisation lost almost 4,000 FTE posts, which is almost 40% of the workforce and equivalent to around £100m in workforce savings.
110. 2017/18 saw the successful delivery of £1.756m in workforce savings and a gross reduction of 43.9FTE posts across Directorates. Budget proposals for the remaining two years of this budget cycle will see a gross reduction in posts of 43.5 FTE (this figure will include a number of vacant posts and positions filled by part time employees which will affect the actual impact on staff). The 43.5 FTE reduction relates to the current workforce totals and does not reflect any other significant changes to service delivery models. The table below shows the current budgeted FTE by directorate and the impact of the proposed savings.

Table 16: Workforce numbers

Summary by Directorate	2017-2018 Budgeted Posts FTE	2017 - 2020 Saving Proposals Gross FTE Impact (Indicative)
Adults	1,258.0	0
Children's	1,181.0	26.0
Corporate Core	1,922.2	14.5
Growth and Neighbourhoods	1,647.4	3.0
Strategic Development	286.0	0
Total	6,294.6	43.5

It should be noted:

- Within Children's there are £1m of savings relating to demand management practice efficiencies and new ways of working – a small proportion of which may have workforce implications.
- In Adult Social Care work is continuing to develop the detailed structures for the new integrated health and social care system and reformed models of care. This is not expected to result in any significant reduction in posts. However, the detail is still emerging.

111. 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.
112. 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.
113. Over the past year the progress of Health and Social Care Integration has seen the creation of Manchester Health and Care Commissioning (MHCC) and the deployment of Council staff to this new organisation. Over the remainder of this budget period a significant further number of staff will be deployed into the Local Care Organisation. All Council staff affected will remain employees of the Council. The details of these arrangements are continuing to be progressed and implemented in partnership with staff and trade unions.
114. After five years of restricted external recruitment and increasing demands there is a recognition that the City Council will need to invest in skills for our 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**
 - Driving our **equality** objectives as an employer
 - **Development and skills** to deliver now and in the future
 - **Strategy** which embeds Our Manchester in all we do
 - An approach to **resourcing** which maximised organisational capacity

Section 9 - Capital Investment Strategy

115. Our Manchester demands an integrated approach to the deployment of revenue and capital spend against a clear set of priorities. For 2017/18 a longer term, five-year Capital Investment Strategy was developed as part of the City Council's strategic and financial planning, and this strategy will continue.
116. The capital investments within the Strategy have been shaped by the Our Manchester Strategy, the Manchester Residential Growth Strategy, commercial developments, devolution and the requirements of the Highways Estate, the Operational Built Estate and ICT.

117. The Capital Strategy and associated capital programme can be found elsewhere on this agenda, and they detail the expected capital investments alongside the governance and monitoring arrangements in place for the programme, including the criteria used to assess proposals.
118. The challenge for the programme remains to drive transformation, growth and reform; to define Manchester as an attractive place to live and further improve the quality of life for all residents and increase their overall social and economic prospects, and enable them to participate fully in the life of the City.

Section 10 – Consultation

119. As part of the three-year budget setting process last year, 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.
120. Although there is no formal requirement to consult 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. One of the ways this has happened this year is through 'Our Manchester Days', these take over days carries 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.

Section 11 - Legal Issues

121. In coming to decisions in relation to the revenue budget and Council Tax the Council has various legal and fiduciary duties. The Council is required by the Local Government Finance Act 1992 to make specific estimates of gross revenue expenditure and anticipated income leading to the calculation of the council tax requirement and the setting of the overall budget and Council Tax. The amount of the council tax requirement must be sufficient to meet the Council's legal and financial commitments, ensure the proper discharge of its statutory duties and lead to a balanced budget.
122. In exercising its fiduciary duty the Council should be satisfied that the proposals put forward are a prudent use of the Authority's resources in both the short and long term; that the proposals strike a fair balance between the interests of council tax payers and ratepayers on the one hand and the community's interests in adequate and efficient services on the other; and that they are acting in good faith for the benefit of the community whilst complying with all statutory duties. Officers have addressed the duty to strike a fair balance between different elements of the community and the interests of Council Tax and Business Rate payers in developing the proposals which are set out in the Directorate reports.

Duties of the City Treasurer

123. The Local Government Act 2003 requires the Chief Finance Officer to report to the authority on the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves. The Council has a statutory duty to have regard to the CFOs report when making decisions about the calculations. The City Treasurer's report in relation to the reasonableness of the estimates and adequacy of the reserves is set out in paragraphs 98 to 107 of this report.
124. Section 28 of the Local Government Act 2003 imposes a statutory duty on the Council to monitor during the financial year its expenditure and income against the budget calculations. If the monitoring establishes that the budgetary situation has deteriorated, the Council must take such action as it considers necessary to deal with the situation. This might include, for instance, action to reduce spending in the rest of the year, or to increase income, or to finance the shortfall from reserves.
125. Under Section 114 of the Local Government Finance Act 1988, where it appears to the Chief Finance Officer that the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure, the Chief Finance Officer has a duty to make a report to the Council.
126. The report must be sent to the Council's External Auditor and every member of the Council and the Council must consider the report within 21 days at a meeting where it must decide whether it agrees or disagrees with the views contained in the report and what action (if any) it proposes to take in consequence of it. In the intervening period between the sending of the report and the meeting which considers it, the authority is prohibited from entering into any new agreement which may involve the incurring of expenditure (at any time) by the authority, except in certain limited circumstances where expenditure can be authorised by the Chief Finance Officer. Failure to take appropriate action in response to such a report may lead to the intervention of the Council's Auditor.

Other Statutory Duties

127. In considering the budget for 2018/19 the Council must also consider its ongoing duties under the Equality Act 2010 to have due regard to the need to eliminate discrimination and advance equality of opportunity between all irrespective of whether they fall into a protected category such as race, gender, religion, etc.
128. Having due regard to these duties does not mean that the Council has an absolute obligation to eliminate discrimination but that it must consider how its decisions will contribute towards meeting the duties in the light of all other relevant circumstances such as economic and practical considerations.

129. The Council will continue to use its Equality Impact Assessment framework as an integral tool to ensure that all relevant services have due regard of the effect that their business proposals will have on protected groups within the City.

Section 12 – Reasonableness of the Estimates

130. Finally the Council has a duty to act reasonably taking into account all relevant considerations and not considering anything which is irrelevant. This Report together with the other budget related reports on the agenda set out a total picture of the proposals from which members can consider the risks and the arrangements for mitigation set out below.

Section 13 - Robustness of the Estimates

131. The City Treasurer has examined the major assumptions used within the budget calculations and has carried out sensitivity analysis to ascertain the levels of potential risk in the assumptions being used. The Council has a well-developed corporate risk register and a financial risk register that is reviewed monthly throughout the year. Each Service Head has carried out an individual risk assessment of their budgets which have been reviewed by the Corporate Support Team at an earlier stage of the business planning process. The savings proposals have been subject to planning and verification. The savings represent a risk and not only assume the planned reduction in the workforce will be achieved in a timely manner but also the service reductions will be implemented with sufficient pace. The achievement of these savings will be monitored by Strategic Management Team throughout the coming year.
132. It is the opinion of the City Treasurer that any significant budget risks to the General Fund and the Housing Revenue Account have been identified and that suitable proposals are being put in place to mitigate against these risks where possible. The Council's Budget Monitoring procedures are now well embedded and are designed to specifically monitor high level risks and volatile budgets.
133. An assessment of anticipated business rates income has been carried out based on the information available and provision has been made for outstanding appeals. There is considered to be a prudent provision.
134. The City Treasurer considers that the assumptions on which the budget have been proposed whilst challenging are manageable within the flexibility allowed by the General Fund balance. This and the fact that the Council holds other reserves that can be called on if necessary means that the City Treasurer is confident that overall the budget position of the Council can be sustained within the overall level of resources available. However to the degree that the budget savings are not achieved in a timely manner and reserves are called on to achieve a balanced position, further savings will need to be identified and implemented in order to ensure the Council's future financial stability is maintained.

Section 14 - Risks and Mitigation

135. As outlined above, 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 Strategic Management Team Business Planning and Transformation on a monthly basis and reported to Executive Members.
136. 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 will enable them to continue to meet their statutory duties and the needs of the most vulnerable.

Section 15 - Budget Scrutiny

137. Overview and Scrutiny committees are holding special meetings to look at the Budget Proposals and their delivery. Resources and Governance Scrutiny Committee will look at the overall budget proposals and receive comments from other scrutiny committees.

Section 16 - Conclusion

138. This report details proposals to respond to the Local Government Settlement and to the requirement to produce a definitive budget to be approved at the City Council meeting on the 2 March 2018. The report sets out a proposed investment approach to underpin the delivery of Our Manchester and the approach to preparing the Capital Strategy and budget. There is a reasonable basis for setting the budget for 2018/19. However, as this paper outlines, a fundamental review of the position is required for 2019/20 and beyond.
139. The Provisional Finance Settlement did not bring any real additional funding for Adult Social Care. The report assumes that the Council Tax for social care will be implemented at 3% for 2018/19 with no precept for Social Care in 2019/20
140. This is a period of continued reductions in resources and growing pressures. The savings required over the three year period per the MTFP were £36.9m and in the region of £31.8m after taking account of anticipated commercial income 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.
141. Detailed recommendations appear at the front of this report.

LEGAL BACKGROUND TO SETTING THE REVENUE BUDGET AND COUNCIL TAX

1. INTRODUCTION

1.1 The council tax is basically a tax on property with a personal element in the form of discounts and reductions. Discounts include the 25% discount in respect of dwellings occupied by a single person. Reductions include reductions in pursuance of the Council's council tax reduction scheme made under the Local Government Finance Act 2012 which has replaced council tax benefit.

1.2 All dwellings are listed in one of eight valuation bands and the amount of council tax payable in respect of each dwelling (before discounts and other reductions) is in a set proportion between each band. The Headline Tax is calculated for Band D and the tax in the remaining bands is worked out as a proportion of this amount. The lowest Band (A) is two-thirds of Band D and the highest Band (H) is twice Band D and three-times Band A. The proportions are as follows:-

A:	B:	C:	D:	E:	F:	G:	H:
6:	7:	8:	9:	11:	13:	15:	18:

1.3 There are three main stages in setting the council tax:-

STAGE 1 - The Council calculates its own **council tax requirement**, (i.e. its net revenue expenditure), including levies issued to it but not precepts.

STAGE 2 - The Council then calculates its **basic amount of council tax** which is the Manchester City Council (MCC) element of the council tax for Band D and which takes account of council tax requirement and the council tax base calculated at an earlier stage and after that the MCC element of the remaining bands.

STAGE 3 - Finally, the Council sets the council tax for the area in bands, being the aggregate of the MCC element of the tax and the element of the tax precepted by the Greater Manchester Combined Authority Mayoral Police and Crime Commissioner (GMCA MPCC) Precept and the Greater Manchester Combined Authority Mayoral Precept (including Fire Services).

2. **STAGE 1 - THE COUNCIL TAX REQUIREMENT**

- 2.1 Members should note that the Localism Act 2011 amended the Local Government Finance Act 1992 ("LGFA 2011") to introduce a duty to calculate a "council tax requirement".
- 2.2 Section 31A of the LGFA 1992 requires the Council to make three calculations, in effect -
- (i) an estimate of the Council's gross revenue expenditure - Section 31A(2);
 - (ii) an estimate of anticipated income - Section 31A(3)
 - (iii) a calculation of the difference between (i) and (ii) above, (i.e. net revenue expenditure) - Section 31A(4) – this is known as the **council tax requirement**.
- 2.3 More specifically, in its Section 31A(2) calculation of gross expenditure the Council should include -
- (a) estimated revenue account expenditure to be incurred during the year;
 - (b) an appropriate allowance for contingencies (i.e. an allowance for unforeseen events);
 - (c) any raising of reserves for future years (e.g. payments into special funds);
 - (d) any estimated revenue account deficit for previous years not already provided for;
 - (da) any amount estimated to be transferred from the general fund to the collection fund in accordance with regulations in respect of business rates.
 - (e) any amount estimated to be transferred from the general fund to the collection fund on account of the Council's share of any collection fund deficit
 - (f) an estimate of certain amounts to be transferred to the collection fund pursuant to a direction of the Secretary of State (e.g. any estimated shortfall in collection of Business Rates in excess of allowance for non-collection).
- 2.4 The Section 31A(3) calculation is the aggregate of the sums to be set off against gross expenditure, namely -
- (a) estimated income from fees, charges, specific grants, and revenue support grant (RSG).

- (aa) any amount estimated to be transferred from the collection fund to the general fund in accordance with regulations in respect of business rates
 - (b) any amount estimated to be transferred from the collection fund to the general fund on account of the Council's share of any collection fund surplus
 - (c) an estimate of certain transfers from the collection fund to the general fund e.g. allowance for costs of collecting business rates;
 - (d) any amount of reserves/balances intended to be used towards meeting revenue expenditure.
- 2.5 Section 31A(4) then requires the calculation under Section 31A(3) to be subtracted from that under Section 31A(2) to produce a calculation of estimated net expenditure known as the **council tax requirement**.
- 2.6 These calculations must be made before 11 March, although they are not invalid merely because they are made on or after that date. However, until the calculations are made any purported setting of the Council Tax will be treated as null and void.
- 2.7 It should be noted that the general fund has to stand the cost of any temporary lending to the collection fund to cover late payments/non-collection.
- 2.8 It should be noted that significant amounts of expenditure are financed through government grants (such as Revenue Support Grant (RSG) and the Dedicated Schools Grant for schools budget related expenditure) and not directly through council tax. Such expenditure will be calculated under Section 31A(2)(a) and will be offset by the specific grants which will be included in the calculation under Section 31A(3)(a).
- 2.9 It should be noted that the Local Government Finance Act 2012 enables the Council to retain around half of Manchester's business rates income, rather than this being paid into a central government pool and redistributed. This will involve a separate calculation under Section 31A (3) (aa)
3. **THE LEVEL OF THE COUNCIL TAX REQUIREMENT**
- 3.1 The level of the Section 31A calculations, and in particular the calculation of the council tax requirement is of crucial importance both legally and financially. In particular -
- the amount of the council tax requirement must be sufficient to meet the Council's legal and financial commitments and ensure the proper discharge of its statutory duties.
 - the amount of the council tax requirement must ensure a balanced budget

- the amount of the council tax requirement must leave the Council with adequate financial reserves.
- the level of the council tax requirement must not be unreasonable having regard to the Council's fiduciary duty to its Council Tax payers and ratepayers.
- the amount of the council tax requirement will be relevant to the question of whether or not the Council is required to hold a council tax referendum (see paragraph 5)

3.2 The level of the council tax requirement, together with the council tax base (see paragraph 4.3) will determine the Council's basic amount of council tax.

4. **STAGE 2 - THE COUNCIL'S BASIC AMOUNT OF COUNCIL TAX**

4.1 Having calculated its council tax requirement, the Council is then required under Section 31B, LGFA 1992 to calculate its **basic amount of council tax**. This is the MCC element of Band D Council Tax. Then, under Section 36, it must calculate the MCC element of all the bands as a proportion of the Band D calculation.

4.2 **Section 31B Calculation**

The MCC Element of the Band D Council Tax is known as the basic amount of council tax. This is calculated by applying the following formula -

$$\frac{R}{T}$$

where -

R is the council tax requirement, and
T is the council tax base.

4.3 **Council Tax Base**

The council tax base is basically the Band D - equivalent number of properties in the City adjusted to take account of discounts premiums and reductions and multiplied by the estimated collection rate. The City Treasurer (in consultation with the Executive Member for Finance and Human Resources) acting under delegated powers has calculated the council tax base for 2018/19 to be 112,965. It should be noted that the basis of calculations has changed as a result of localisation of council tax support and that the effect of the authority's council tax reduction scheme operates to reduce council tax base.

4.4 **Section 36 Calculation**

Having calculated the basic amount of council tax (i.e. the MCC element of the Band D tax) the Council is then required to convert it into a MCC element for all Bands by multiplying it by the formula N/D where -

N is the proportion for the band as set out below and D is 9.

4.5 The proportions for each band are as follows:-

A:	B:	C:	D:	E:	F:	G:	H:
6:	7:	8:	9:	11:	13:	15:	18

5. COUNCIL TAX REFERENDUMS

5.1 The Localism Act 2011 (“LA 2011”) abolished council tax capping and replaced it with a requirement to hold a council tax referendum if an authority increases its council tax by an amount exceeding a level set out in principles determined by the Secretary of State and approved by the House of Commons. The new requirement appears in Chapter 4ZA of Part 1 of the LGFA 1992 which was inserted by Schedule 5 of the LA 2011.

5.2 The provisions require the Council to determine whether its “basic amount of council tax” for a financial year is excessive. This question must be decided on accordance with a set of principles determined by the Secretary of State. The Secretary of State had indicated the principles he was minded to set. In relation to all principal authorities, such as Manchester, an increase of more than 6% (including 3% for adult social care) is deemed “excessive” in 2018/19. All figures are based on an increase in an authority’s “**basic amount of council tax**” between 2017/18 and 2018/19. The definition of “basic amount” is set out in Section 52ZX, LGFA 1992.

5.3 The legislation places the onus on each authority to determine whether its basic amount of council tax is excessive by reference to the Secretary of State’s principles. Where a precepting authority has determined that its increase is excessive, it must arrange for a referendum to be held. Where a precepting authority (e.g. GMCA MPCC or GMCA MF) has determined its increase is excessive, it must notify the billing authority to which it precepts. The billing authority or authorities will then be required to make arrangements to hold a referendum in relation to the precepting authority’s increase.

5.4 If an authority determines that it has set an excessive increase, it must also make “substitute calculations” to produce a basic amount of council tax which does not exceed the principles. The substitute calculations would automatically take effect in the event that the voters reject the authority’s increase in a referendum. The costs of this referendum are the responsibility of the authority which triggered it.

6. STAGE 3 - SETTING THE COUNCIL TAX

6.1 The final part of the process is for the Council as billing authority to set the overall council tax for each band. Whereas the billing authorities and major precepting authorities **calculate** their own council tax requirements, their own basic amounts of council tax and amounts for each band, the **setting** of the council tax is solely the responsibility of the City Council as billing authority.

6.2 Section 30 of the 1992 Act provides that the amounts set for each band will be the aggregate of the City element for each band calculated under Section 36

and the amount calculated for each band by each of the major precepting authorities.

- 6.3 The council tax must be set before 11 March (i.e. no later than 10 March), although it is not invalid merely because it is set on or after that date.
- 6.4 The council tax cannot be set before 1 March unless all precepting authorities have issued their precepts; nor can it be set before the Council has made the other required calculations. Otherwise, any purported setting of the tax will be treated as not having occurred.
- 6.5 The Council has a clear legal duty to set a council tax and a resolution not to set a council tax would be unlawful, being in breach of Section 30, LGFA 1992. So would be a resolution to set a council tax which deliberately did not balance the various calculations.

7. **CONSTITUTIONAL ARRANGEMENTS**

- 7.1 Members should note that under the Council's constitutional arrangements, the functions of calculating the council tax requirement and the basic amount of council tax and the function of setting the council tax are the responsibility of the full Council. The function of preparing estimates and calculations for submission to Council is the responsibility of the Executive.
- 7.2 The Council's Constitution provides a procedure for the resolution of any conflict between the Executive and the Council which gives effect to the Local Authorities (Standing Orders) (England) Regulations 2001. However, this only applies where the estimates and calculations are prepared by the Executive before 8 February. Any conflict can be resolved through the scrutiny process. The Budget and Policy Framework Rules provide that where the Resource and Governance Scrutiny Committee has any objection to the estimates and calculations prepared by the Executive, it will report such objections to the Council, the Leader and the Executive Member for Finance and Human Resources. The Leader and/or the Executive Member will report to the Council whether they agree or disagree with any objection of the Scrutiny Committee.

8. **RESTRICTIONS ON VOTING**

- 8.1 Members should be aware of the provisions of Section 106 of the Local Government Finance Act 1992, which applies to members where -
- (a) they are present at a meeting of the Council, the Executive or a Committee and at the time of the meeting an amount of council tax is payable by them and has remained unpaid for at least two months, and
 - (b) any budget or council tax calculation, or recommendation or decision which might affect the making of any such calculation, is the subject of consideration at the meeting.

- 8.2 In these circumstances, any such members shall at the meeting and as soon practicable after its commencement disclose the fact that Section 106 applies to them and shall not vote on any question concerning the matter in 8.1 (b) above. It should be noted that such members are not debarred from speaking on these matters.
- 8.3 Failure to comply with these requirements constitutes a criminal offence, unless any such members can prove they did not know that Section 106 applied to them at the time of the meeting or that the matter in question was the subject of consideration at the meeting.

Reserves 2018-2020

	Opening Balance 1/04/2018	Withdrawals	Additions	Closing Balance 31/03/2019	Withdrawals	Additions	Closing Balance 31/03/2020	PURPOSE
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Schools Reserve	18,762	0	0	18,762	0	0	18,762	
General Fund Reserves								
Statutory Reserves	12,001	(7,130)	7,551	12,422	(7,130)	7,414	12,706	
Earmarked Reserves	199,783	(67,097)	59,864	192,550	(59,933)	49,732	182,349	
General Fund Reserve	21,307	0	1,531	22,838	0	0	22,838	
Total General Fund	233,091	(74,227)	68,946	227,810	(67,063)	57,146	217,893	
Housing Revenue Account Reserves:								
Housing Revenue Account General Reserve	58,897	(6,154)	0	52,743	(17,733)	0	35,010	
HRA PFI reserve	10,000	0	0	10,000	0	0	10,000	
HRA Residual liabilities fund	24,000	0	0	24,000	0	0	24,000	
Housing Insurance reserve	1,106	0	0	1,106	0	0	1,106	
Total HRA	94,003	(6,154)	0	87,849	(17,733)	0	70,116	
TOTAL RESERVES	345,856	(80,381)	68,946	334,421	(84,796)	57,146	306,771	

	Opening Balance 1/04/2018	Withdrawals	Additions	Closing Balance 31/03/2019	Withdrawals	Additions	Closing Balance 31/03/2020	PURPOSE
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	

<u>SCHOOLS RESERVE</u>								
LMS Reserve	18,762	0	0	18,762	0	0	18,762	School balances - These are not MCC resources and so cannot be used by MCC
Sub Total Schools	18,762	0	0	18,762	0	0	18,762	
<u>STATUTORY RESERVES</u>								
Bus Lane Enforcement Reserve	3,947	(1,510)	2,300	4,737	(1,510)	2,300	5,527	Ring fenced reserve which can only be applied to specific transport and highways related activity.
On Street Parking	2,807	(5,582)	5,019	2,244	(5,582)	5,019	1,681	Ring fenced reserve which can only be applied to specific transport and highways related activity.
Ancoats Square Reserve	2,943	(25)	0	2,918	(25)	0	2,893	Was received from the HCA to cover the revenue costs of maintaining

	Opening Balance 1/04/2018	Withdrawals	Additions	Closing Balance 31/03/2019	Withdrawals	Additions	Closing Balance 31/03/2020	PURPOSE
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
								Ancoats Square for a period of at least 25 years.
Spinningfields Commuted Sum	820	0	0	820	0	0	820	Funds received as part of an agreement to cover maintenance costs.
New Smithfield Market	238	0	70	308	0	20	328	To contribute towards funding the development plans for the market
Great Northern Square Maint Fund	322	(13)	0	309	(13)	0	296	Set up in accordance with the agreement with the developers of the site. It will be used for upgrading of the square.
Education Endowments	17	0	0	17	0	0	17	Kept as part of future payments for school prizes
Landlord Licensing Reserve	117	0	87	204	0	0	204	Smoothing reserve
Art Fund Reserve	35	0	0	35	0	0	35	For art purchases

	Opening Balance 1/04/2018	Withdrawals	Additions	Closing Balance 31/03/2019	Withdrawals	Additions	Closing Balance 31/03/2020	PURPOSE
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
St Johns Gdns Contingency	755	0	75	830	0	75	905	Contribution from St Johns Gardens tenants for maintenance works
Sub Total Statutory	12,001	(7,130)	7,551	12,422	(7,130)	7,414	12,706	
<u>EARMARKED RESERVES</u>								
<u>BALANCES HELD FOR PFI'S</u>								
Temple PFI	653	(100)	0	553	(100)	0	453	Established to fund the requirements of the PFI scheme over 25 years
Wright Robinson PFI Reserve	1,051	0	50	1,101	0	50	1,151	PFI Scheme 25 year contract drawdown will be in future years as expenditure exceeds grant.
Total held for PFI's	1,704	(100)	50	1,654	(100)	50	1,604	
<u>SMALL SPECIFIC RESERVES</u>								
Housing Loans	123	0	10	133	0	10	143	Resources available to meet

	Opening Balance 1/04/2018	Withdrawals	Additions	Closing Balance 31/03/2019	Withdrawals	Additions	Closing Balance 31/03/2020	PURPOSE
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
								future needs of mortgage accounts
Nuclear Free Zone	56	0	0	56	0	0	56	General reserve
Highways Commuted Sum	98	0	0	98	0	0	98	Funds received as part of developer agreements
Climate Innovation Fund	456	0	0	456	0	0	456	£1m was set aside to support the emerging investment model on Green Deal for Manchester and schemes which contribute towards carbon reduction.
NSM - Car Boot	263	(45)	55	273	(45)	55	283	Used to fund repairs and maintenance of facilities for traders.
Cemeteries Replacement	361	0	40	401	0	40	441	To purchase land for burials
Primary School Catering Reserve	157	0	0	157	0	0	157	Reserve established to support the Service's

	Opening Balance 1/04/2018	Withdrawals	Additions	Closing Balance 31/03/2019	Withdrawals	Additions	Closing Balance 31/03/2020	PURPOSE
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
								competiveness by smoothing school meal prices during the 3 year price planning period.
Catering R & M Insurance Account	166	0	0	166	0	0	166	Reserve established to meet refurbishment cost of school kitchens.
CWAG Reserve	80	(6)	0	74	(6)	0	68	Held in relation to the running costs of Council's With ALMOs Group (CWAG) which is administered by MCC
Investment Reserve from Surpluses	151	0	0	151	0	0	151	Funding belonging to schools which the Council holds on their behalf. The purpose is to fund repairs and improvements to school kitchens.
Graves And Memorials	97	0	0	97	0	0	97	Money held in trust for repair and

	Opening Balance 1/04/2018	Withdrawals	Additions	Closing Balance 31/03/2019	Withdrawals	Additions	Closing Balance 31/03/2020	PURPOSE
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
								Development costs for gravestones
Other Small Specific reserves	28	0	0	28	0	0	28	Small specific reserves
Total Small Specific Reserves	2,036	(51)	105	2,090	(51)	105	2,144	
<u>RESERVES FOR SPECIFIC RISKS OR TO SMOOTH COSTS</u>								
<u>Risks</u>								
Historic Abuse Claims Reserve	5,563	(2,500)	0	3,063	(2,500)	0	563	For potential future legal cases
Planning Reserve	1,511	0	0	1,511	0	0	1,511	To smooth fluctuations in planning income
Transformation Reserve	8,762	0	0	8,762	0	0	8,762	To support costs of future service change.
Airport Dividend reserve	29,161	(29,161)	29,161	29,161	(29,161)	29,161	29,161	The additional airport dividend will be used to support future years budget
Land Charges Fees Reserve	290	0	0	290	0	0	290	To mitigate risk across financial years

	Opening Balance 1/04/2018	Withdrawals	Additions	Closing Balance 31/03/2019	Withdrawals	Additions	Closing Balance 31/03/2020	PURPOSE
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Housing Investment Fund	530	0	0	530	0	0	530	To hold ringfenced Housing Investment resources
Pension Risk Fund - MWL	494	0	0	494	0	0	494	This relates to potential pension liabilities for Manchester Working employees.
Inspirit Pension Reserve	23	0	0	23	0	0	23	Relates to potential pension liabilities
Manchester International Festival	1,000	(500)	0	500	(500)	0	0	To fund the additional costs of the Mcr International Festival Fund.
Insurance Fund	15,918	0	0	15,918	0	0	15,918	The insurance fund has been established to fund risks that are self-insured.
Fleet Maintenance Reserve	21	(21)	0	0	0	0	0	Reserve created for smoothing the impact of vehicle repair and

	Opening Balance 1/04/2018	Withdrawals	Additions	Closing Balance 31/03/2019	Withdrawals	Additions	Closing Balance 31/03/2020	PURPOSE
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
								maintenance costs.
Taxi Licensing Reserve	2	0	0	2	0	0	2	This is a smoothing reserve to equalise the income and expenditure of running the function over financial years. Income ringfenced by statute.
Newton Heath Market Reserve	22	0	0	22	0	0	22	To fund future markets expenditure
New Islington Dowry Reserve	50	0	0	50	(50)	0	0	NWDA funding for maintenance over a 10 year period.
Business Rates Reserve	15,508	(2,168)	8,498	21,838	(5,490)	1,841	18,189	To mitigate Business Rates income risk
TOTAL Risk/Smooth	78,855	(34,350)	37,659	82,164	(37,701)	31,002	75,465	
RESERVES HELD TO FUND PLANNED CAPITAL SPEND								

	Opening Balance 1/04/2018	Withdrawals	Additions	Closing Balance 31/03/2019	Withdrawals	Additions	Closing Balance 31/03/2020	PURPOSE
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Housing Regeneration reserve	13,446	(1,100)	0	12,346	(350)	0	11,996	To deliver strategic housing related regeneration projects.
Service Improvement Fund	221	0	0	221	0	0	221	Balance relates to system improvements
Capital Fund Revenue Reserve	59,774	(6,507)	7,449	60,716	(9,078)	12,849	64,487	Contribution to schemes which are being brought forward to support employment and growth as part of the Council's Capital Programme. Used to fund high priority strategic development opportunities in the city for those that do not attract external funding. This can also be used for revenue.
Eastlands Reserve	6,801	(2,539)	2,231	6,493	(2,583)	2,317	6,227	English Institute of Sport - Sport

	Opening Balance 1/04/2018	Withdrawals	Additions	Closing Balance 31/03/2019	Withdrawals	Additions	Closing Balance 31/03/2020	PURPOSE
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
								England MCFC income
Total to fund capital spend	80,242	(10,146)	9,680	79,776	(12,011)	15,166	82,931	
RESERVES TO SUPPORT GROWTH AND REFORM								
Better Care	8,912	(7,609)	2,600	3,903	(1,087)	0	2,816	Contributions received from CCG's
Town Hall Reserve	7,297	(2,988)	6,100	10,409	(3,620)	2,400	9,189	To fund revenue expenditure on the Town Hall Complex Programme
Troubled Families Reserve (Manchester Investment Fund)	1,775	0	0	1,775	0	0	1,775	This was set up to support the scaling up on the community budgets work
Clean City	2,013	(2,013)	0	0	0	0	0	To support green initiatives
Children and Families Investment Reserve	3,187	(3,514)	3,670	3,343	(2,820)	1,009	1,532	To invest in priorities within Children and Families

	Opening Balance 1/04/2018	Withdrawals	Additions	Closing Balance 31/03/2019	Withdrawals	Additions	Closing Balance 31/03/2020	PURPOSE
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
NW Construction Hub Reserve	381	0	0	381	0	0	381	The capital programme section manages the NWCH, other LA's pay a fee to use the service and the income is used to cover the cost of retendering every three years.
Transformation Challenge Award	453	(100)	0	353	0	0	353	Transformation challenge award was awarded to GM authorities to support reform. Manchester's share was £757,904 and has been allocated to projects.
Our Manchester reserve	5,067	(2,524)	0	2,543	(2,543)	0	0	Additional investment made available as part of the 2017/2020 budget process to drive forward the

	Opening Balance 1/04/2018	Withdrawals	Additions	Closing Balance 31/03/2019	Withdrawals	Additions	Closing Balance 31/03/2020	PURPOSE
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
								delivery of Our Manchester
City Centre Review reserve	2,720	(2,720)	0	0	0	0	0	To fund improvements in the City Centre
Work Programme leavers reserve	32	(32)	0	0	0	0	0	To support reform initiatives
TOTAL	31,837	(21,500)	12,370	22,707	(10,070)	3,409	16,046	
GRANTS USED OVER ONE YEAR - NOW HAVE TO BE SHOWN AS A RESERVE DUE TO CHANGE IN ACCOUNTANCY RULES								
English Partnership (HCA)	1,902	(100)	0	1,802	0	0	1,802	HCA approval required to Fund Development appraisal and Eastlands Project team
Other Grants and Contributions	1,419	(466)	0	953	0	0	953	Various local Environment scheme & initiatives i.e. 'clean up campaigns'

	Opening Balance 1/04/2018	Withdrawals	Additions	Closing Balance 31/03/2019	Withdrawals	Additions	Closing Balance 31/03/2020	PURPOSE
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Contributions Other Local Authorities	434	0	0	434	0	0	434	Relates to various ongoing Civil Contingencies schemes.
DFT Grants	28	0	0	28	0	0	28	Unspent grant received in previous year
Other Grants and Contributions Regeneration	266	0	0	266	0	0	266	Unspent grant received in previous year
Fraud Fund	134	(134)	0	0	0	0	0	Unspent grant received in previous year
SEN Reform	38	(38)	0	0	0	0	0	Grant to help local authorities in England continue to meet the costs of implementing the special educational needs and disabilities (SEND) reforms
Right to Control Grant Reserve	21	0	0	21	0	0	21	Unspent grant received in previous year

	Opening Balance 1/04/2018	Withdrawals	Additions	Closing Balance 31/03/2019	Withdrawals	Additions	Closing Balance 31/03/2020	PURPOSE
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Supporting People	6	0	0	6	0	0	6	Unspent grant received in previous year
Workforce Development and Learning	212	(212)	0	0	0	0	0	Unspent grant received in previous year
Asylum Seekers	612	0	0	612	0	0	612	MCC are holding the monies on behalf of AGMA Councils, this money will not be drawn down in year but needs to be retained on the Balance sheet to ensure that MCC are not in breach of the contract that we hold as Lead Authority on this project.
Flood management reserve	37	0	0	37	0	0	37	Unspent grant received in previous year
TOTAL	5,109	(950)	0	4,159	0	0	4,159	

	Opening Balance 1/04/2018	Withdrawals	Additions	Closing Balance 31/03/2019	Withdrawals	Additions	Closing Balance 31/03/2020	PURPOSE
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
TOTAL EARMARKED RESERVES	199,783	(67,097)	59,864	192,550	(59,933)	49,732	182,349	
Total General Fund Reserves	233,091	(74,227)	68,946	227,810	(67,063)	57,146	217,893	