PART 1 (OPEN TO THE PUBLIC)	ITEM NO.

TO THE CITY COUNCIL ON WEDNESDAY, 26 FEBRUARY 2020

Subject: **2020/21 REVENUE BUDGET AND CAPITAL PROGRAMME**

Recommendations:

Members are requested to:

1. Note and support the risk assessment of reserves and assumptions made in preparing the revenue budget for 2020/21, and accordingly approve a revenue budget of **£217.015m**

2. Approve in accordance with the formal resolution set out in ***Appendix 4***:

    a) a council tax requirement in accordance with section 31A of the Local Government Finance Act 1992 (LGFA 1992)

    b) a basic amount of council tax and an amount for each valuation band in accordance with section 31B and 36 of the LGFA 1992

    c) an amount of council tax for each valuation band in accordance with section 30 of the LGFA 1992

    d) an empty property premium in accordance with the Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018

3. Approve the HRA budget for 2020/21 as set out in ***Part 2***

4. Request that each Lead Member and Strategic Director monitors expenditure against budget to ensure that overall net expenditure is contained within budget, and for the Lead Member for Finance and Support Services and the Chief Finance Officer (s151 officer) to report to Overview and Scrutiny Board on progress with the budget on a corporate basis

5. Approve a capital programme of **£115.789m** for 2020/21 and the proposed sources of funding as set out in ***Part 3*** and detailed in ***Appendix 6***, and require all capital proposals to be referred to the Procurement Board for approval, supported by detailed funding arrangements, prior to contractual commitments being made.

6. Approve the treasury management prudential indicators for 2020/21 to 2022/23 as set out in ***Part 4.***

7. Approve the delegation of authority to the Chief Finance Officer (S151 officer) after consultation with Lead Member for Finance and Support Services and the City Mayor, to make any necessary technical adjustments to the figures upon receipt of any further details associated to the final Local Government Finance Settlement.

EXECUTIVE SUMMARY:

The 2020/21 settlement

The 2020-21 settlement is effectively an extension to the four-year settlement that covered the period 2016-17 to 2019-20. With the delay in both the fair funding review and reform of business rates, combined with a one-year spending review, it was in effect a stand still settlement. The operation of the funding schemes and the values within it have broadly been rolled-over either in cash terms from 2019-20 or increased in line with the change in the business rate multiplier.

The one-year Spending Review 2019 included funding changes that affect the 2020-21 settlement. National headlines were:

- £1bn additional funding for social care.
- 2% adult social care precept, which could generate a further £500m nationally
- Reduction in the maximum increase in core Band D council tax from 2.99% to 1.99%
- Settlement Funding Assessment increases in line with the multiplier (1.63%, £237m)
- Indications of the future direction of local government funding should come from the Budget (now expected 11 March 2020), fair funding consultation in Spring and the Spending Review 2020 which should follow in Summer.

Protecting the council's priorities - development of the budget 2020/21

The council's approach to strategic planning and budget framework planning is set out in the Medium Term Financial Strategy, which is being considered by council alongside the budget report. A three year budget strategy has been developed with the aim of producing balanced budgets in 2020/21 and 2021/22 with a savings gap in 2022/23 of £3.456m.

The council continues to progress the transformation of services, including the exploration of opportunities for increased collaboration with our key partners,

Service group proposals

(a) Service Reform

The Service Reform budget has reduced by £20.5m since 2010/11, including staffing reductions of over 50%.

A sustainable financial future for the Council will depend on the collection of local taxation – both council tax and business rates, in a socially just, fair and responsible way. These principles have underpinned a fundamental review and redesign of collection functions over the past two years.

This redesign and new approach has already contributed significantly to improved in-year collection rates – from 90.89% in 2016/17 to 92.17% in 2018/19 for council tax, and from 92.70% in 2016/17 to 95.67% in 2018/19 for business rates.

For 2020/21 the budget continues to include the impact of the 0.5% increase to the estimated collection rate on council tax and business rates previously approved in 2019/20 budget, equating to an annual amount of £1m. As the changing practices are embedded and proven, this will be reviewed.

The directorate continues to explore further digital transformation to improve services including the use of artificial intelligence, robotics and machine learning as a way of increasing the efficiency and effectiveness of our transactional functions – starting with customer contact, taxation collection, human resources, and finance. This will ensure that some of our more straightforward processes are automated wherever possible – providing a quicker, easier and better level of service to the public, business and our own staff. The priority is very much improving the level of service we provide.

No financial savings have been assumed from this work. Instead we are re-investing any efficiencies in the capacity and abilities of the staff working in those areas to better meet the needs of our residents who might require additional assistance or to focus on the more complex range of transactions and processes. For example, we are using robotic process automation, enabled by machine learning, to manage the registration of new residential and commercial properties across the city – automatically creating addresses, raising council tax or business rate charges, and alerting trading standards and building inspectors.

These reforms are at the centre of creating a more resident focussed, efficient and effective customer service ethos at the core of the council. Whilst no savings have been specifically assumed, failure to deliver the service changes will mean resources continue to be invested in transactional functions rather than directly supporting residents who most need support. This may potentially impact on the ability to realise collection targets and in turn present a risk to the assumptions underpinning the medium term financial strategy.

In order to deliver the medium term financial strategy, the directorate will continue to work cohesively as Service Reform squads providing thought leadership to support People and Place directorates in development and delivery of their reform plans.

(b) People

Children's Services

The budget for children's services continues to be under pressure due to the cost of placements for young people in care and the cost of meeting the needs of the increased number of children and young people identified with special educational needs and disabilities which is leading to a major overspend on our Dedicated Schools Grant High Needs Block. The CCG committed to £4m innovation funding within the integrated fund arrangement which has led to the establishment of key innovation programmes with the aim of reducing longer term budget pressures by meeting needs differently.

Route 29 is an offer for young people and their families who are on the edge of care or struggling once they are in care. It has been coproduced with young people and revolves around a multiagency hub offering high intensity support to enable more young people to have their needs met but stay at home or stay in a stable placement. It is hoped that this will lead to less young people needing to enter care over time and less placements of young people in out of borough placements. The hub opened in February but the way of working has been piloted already with a few young people.

The Ealing Model which is an evidence based approach to supporting intensively a small number young people with very complex and challenging SEND needs aims to keep those young people supported in their own homes.

A new approach to domestic abuse work has been scoped and is now being implemented to increase the support available to victims and increase the success of supporting families. The neighbourhood model for early help support for families is now well established and is leading to effective support at an earlier level of need.

The children's services budget remains needs led and the large increase in the child population of the city over recent years has meant a reduction in the per head available funding for support. The remodeling of services to make the best use of available resources is a continued area of focus and partnership working with education settings, police, health partners and the community and voluntary sector remains vital to deliver the best outcomes possible despite the resource pressures faced.

Adult Health and Social Care

The integrated funding arrangements for adult services are well established and have led to increased CCG funding to support Adult Social Care over the years of the pooled budget. The Adult Social Care budget is overspent by £6.1m but the overspend is addressed though the risk share agreement within the pooled arrangements and also the integrated service delivery arrangements within the Salford Care Organization managed by Salford Royal Foundation Trust.

Adult Social Care provision is central to the development of integrated neighbourhood services for adults. Linked to the establishment of Primary Care Networks for GP services, the neighbourhood model for adult services is developing using a strengths based practice approach. An organization has been commissioned to support the development of this way of working and plans are progressing well. As the population of Salford ages, new models of support are in development and following approval for a new Intermediate Care Unit to support effective discharge from hospital in the Autumn, the building work will commence in 2020. Other accommodation options are being progressed to support an increase in extra care and supported living opportunities. There remains a strong priority to enable people to remain in their own homes and be supported to do so and there will be a strong focus in 2020 on the quality of support available to people in their own homes and their ability to connect with their communities to minimize the risks of isolation.

Public Health

Health in Salford is improving, and life expectancy is increasing year on year. However, the gap between those areas with the worst and best of health remains a challenge both nationally and regionally. Priorities for 2020/21 are included within the Salford Locality Plan 2020-25 to continue to work with local organisations and communities to improve people's health and wellbeing and to avoid or reduce the risk of illness.

The council has a statutory responsibility to protect and improve the health of the population and to reduce health inequalities. The council receives public health funding, originally through a grant from the Department of Health but since 2017 through the Greater Manchester business rates retention pilot. Public health funding delivers public health services (some of which are mandated) and addresses the wider determinants of health. From 2015, there has been a year-on-year reduction to the national public health funding, which has resulted in a cumulative £3.454m reduction in Salford.

The King’s Fund estimates that the reduction in public health spend means that local authority spending per head on key prevention services has fallen by almost a quarter in real terms between 2014/15 and 2019/20. This is in addition to council savings of over £900,000 which have been realised mainly through non-renewal of contracts and re-specification of services.

The majority of public health funding in Salford is now included within the integrated fund arrangements for health and social care for adults and children. This helps to prioritise prevention spend on areas most needed and mitigates the impact of reducing resources on the most vulnerable and on health inequalities.

Place

The Place Service Group’s remit is to drive forward the council’s economic growth agenda through economic regeneration and to deliver services that touch almost every aspect of residents’ daily lives, from highly visible activities like bin collections and street cleaning to issuing various licenses and other regulatory work.

Over the last 6 years the service group’s budget has been reduced by £22m. Within this period the council has recognised the importance of vital services in key areas such as street cleansing, the up keep of parks and opens spaces, leisure, planning and building control and as such has continued to invest in these services.

For 2020/2021, we will continue to:

- Maximise the use of technology in meeting the needs of residents and operational responsiveness, with a clear focus on customer outcomes that will drive efficiencies.
- Generate income across our commercial services.
- Deliver effective re-procurement and contract management negotiations in buying products and services.

- Secure further investment and funding to facilitate and enable new infrastructure and development into the city, generating further council tax and business rates.

The Budget Report

This report sets out the specific proposals for the 2020/21 revenue budget and council tax, housing revenue account (HRA) budget, capital programme and prudential borrowing limits and is produced in 5 parts:

Part 1 2020/21 revenue budget and council tax

- Identifies that the outturn for 2019/20 is expected to show a break even position against the budget, with general reserves expected to remain at £13.2m.
- Sets out the key factors taken into consideration in determining the budget and council tax, resulting in a proposed 3.99% **increase in council tax for Salford's services** which includes an additional 2% for adult social care. This gives a band D council tax of £1,640.26 for the council's services of which £143.42 relates to the cumulative precept for adult social care.
- Sets out the details of the government finance settlement for 2020/21 for Salford, which gives increase in settlement funding on a like-for-like basis of 7.8%.
- Identifies that, taking into account a 3.99% council tax increase and government resources from the settlement funding process, total net resources of **£217.015m** are available to deliver the desired outcomes for 2020/21.
- Identifies that savings totalling £9.812m will be required to ensure that net expenditure is contained within the available net resources.
- Recognises that the council continues to maintain its financial health by retaining a sufficient level of reserves that is supported by a risk assessment.
- Notes the proposed Mayoral Police and Crime Commissioner precept of £208.30 at band D (£198.30 in 2019/20) and Mayoral general precept (including fire services) of £90.95 at band D (£76.95 in 2019/20).
- Proposes that overall council tax will be £1,292.99 at band A and £1,939.51 at band D, an overall increase of £57.95 (band A) and £86.94 (band D) on 2019/20. Single person households will pay 25% less.

Part 2 2019/20 HRA Revenue Budget

- Identifies that the estimated outturn expenditure for 2019/20 is expected to provide a contribution to HRA reserves of £1.845m and consequently the balances held in reserve at 31 March 2020 are forecast to be £7.856m.
- Identifies that the City Mayor has approved a 2.7% increase in rents for 2020/21 based upon the government's formula of CPI plus 1%.

Part 3 Capital Strategy 2020/21 to 2022/23

- Identifies that funding is available for a capital programme of **£115.789m** in 2020/21.
- Identifies that general unsupported borrowing of £20.937m will be used in support and the capital financing charges on that unsupported borrowing can be met from the revenue budget. Provision for the revenue financing costs of unsupported borrowing has been made in the 2020/21 revenue budget and future budget planning. Total borrowing, including for invest to save or self-financing purposes, will be £54.741m.
- Identifies the priorities for investment to be met from that available funding.

Part 4 Prudential Indicators for 2020/21 to 2022/23

- Identifies the prudential limits for the next three years required to be set in accordance with the Local Government Act 2003 and the Prudential Code for Capital Finance produced by CIPFA. These indicate the affordability of the council's capital expenditure and borrowing plans from the revenue budget and housing rents, together with the limits that will be adopted in the management of the council's borrowing and investments.

Part 5 Summary of Recommendations and Appendices

- Contains a summary of the recommendations and detailed supporting information, including the formal resolutions relating to the setting of the council tax levy for 2020/21 to comply with the Local Government Finance Act 1992 at ***Appendix 4.***

BACKGROUND DOCUMENTS:

Local government finance settlement

Working papers held in the finance division.

KEY DECISION: YES

KEY COUNCIL POLICIES:

Budget Strategy, Mayoral team priorities, Business Plans

EQUALITIES IMPACT ASSESSMENT AND IMPLICATIONS:

As part of this decision making process, the Public Sector Equality Duty Decision requires council staff and elected members to consider what will be the impact on people with protected characteristics, whether in the wider city or in our own organisation. The Council needs to understand who will be affected, how will they be affected and where possible how to minimise unintended negative consequences by planning in mitigations from the start.

This report sets out the Mayor's budget proposals for Full Council to set the budget. Some proposals will need further development for Cabinet to make a specific decision. For these proposals a relevance check is required and, where it is indicated as needed by the relevance check, a full Equalities Impact Assessment will be undertaken to inform the City Mayor when making that decision

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ASSESSMENT OF RISK:

Paragraph 1.20 in Part 1 of this report contains an assessment by the Chief Finance Officer (s151 officer) of the risks associated with the revenue budget and Appendix 2 contains a risk assessment of the adequacy of reserves expected to be held at 31 March 2021.

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1. LEGAL IMPLICATIONS: Miranda Carruthers-Watt – Assistant Director Legal and Governance

The budget approval procedure under the City Mayor arrangements is that the City Mayor and Cabinet recommend the budget calculations (as set in Appendix 6) to council for approval. If the majority of council does not approve the budget calculations, they are referred back to the City Mayor who should then present alternative budget calculations. The council can only further reject the alternative budget calculations by a two thirds majority. The budget must be fixed by 11 March.

The Council must set the budget in accordance with the provisions of the Local Government Finance Act 1992 and approval of a balanced budget each year is a statutory responsibility of the Council. The provisions of section 25, Local Government Act 2003 require that, when the Council is making the calculation of its budget requirement, it must have regard to the report of the chief finance (s.151) officer as to the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves.

The financial position must be closely monitored and in particular, members must satisfy themselves that sufficient mechanisms are in place to ensure the delivery of savings as well as to ensure that any new expenditure is contained within the available resources.

This means that any proposals put forward must identify the realistic measures and mechanisms to produce those savings. Consultation has taken place in accordance with the Council's duties under section 65 of the Local Government Finance Act 1992. The responses provided are attached as appendix to this report.

The Monitoring Officer has been consulted in the preparation of this report and is satisfied that the proposals set out in this report satisfy the constitutional and legal requirements (see section 1.20) for the budget setting process. Further legal advice will be sought for specific proposals during the implementation phase which may need a specific consultation process. The consultation process, including the Council's consideration of the responses, is required to comply with the following overarching obligations (unless detailed statutory rules supplant these): 1. Consultation must be at a time when proposals are at a formative stage. 2. The proposer must give sufficient reasons for its proposals to allow consultees to understand them and respond to them properly. 3. Consulters must give sufficient time for responses to be made and considered. 4. Responses must be conscientiously taken into account in finalising the decision.

Members must have adequate evidence on which to base their decisions on the level of quality at which services should be provided. Where a service is provided pursuant to a statutory duty, it would not be lawful to fail to discharge it properly or abandon it, and where there is discretion as to how it is to be discharged, that discretion should be exercised reasonably. The report sets out the relevant considerations for Members to consider during their deliberations and Members are reminded of the need to ignore irrelevant considerations. Members have a duty to seek to ensure that the Council acts lawfully. Members must not come to a decision which no reasonable authority could come to; balancing the nature, quality and level of services which they consider should be provided, against the costs of providing such services.

There is a particular requirement to take into consideration the Council's fiduciary duty and the public sector equality duty in coming to its decision. The public sector equality duty is that a public authority must, in the exercise of its functions, have due regard to the need to: (1) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010; (2) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and (3) foster good relations between persons who share a relevant protected characteristic and persons who do not share it Any decision made in the exercise of any function is potentially open to challenge if the duty has been disregarded. The duty applies both to Full Council when setting the budget and to Cabinet when considering particular decisions.

Members are also individually reminded that Section 106 of the Local Government Finance Act

1992 applies to this meeting. Members who are two months or more in arrears with their Council Tax must declare this to the meeting and must not vote on budget recommendations, as to do otherwise can be a criminal offence.

2. FINANCIAL IMPLICATIONS:

This report has been prepared by the council's finance team in consultation with strategic directors and heads of service, and contains full financial implications around the budget, council tax and housing rent setting.

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3. PROCUREMENT IMPLICATIONS: Anthony Hilton – Strategic Head of Procurement

The procurement team will continue to work collaboratively with stakeholders and partner organisations and work closely with all stakeholders to deliver improved outcomes, ensuring that financial savings linked to procurement activity are delivered, captured and reported to enable ongoing efficiencies to be maximised.

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4. HUMAN RESOURCES: Sam Betts – Assistant Director (Human Resources and Organisational Development)

The HR & OD team will continue to work closely with service directorates to redesign services in response to public service reform, place based delivery, new and emerging technologies and new ways of working. Ensuring appropriate workforce development plans are in place to ensure we have people in the right place with the right skills maximising the opportunities that the apprenticeship levy provides.

5.CLIMATE CHANGE IMPLICATIONS Supplied by:

Michael Hemingway – Principal Officer Climate Change

The revenue and capital budget supports the Council's efforts to both mitigate and adapt to climate change in line with the council's commitments through the 5 Year Environment Plan for Greater Manchester and in the light of the Climate Emergency the council declared in July 2019. The budget is supporting capital works to retrofit LED lighting; Install PV on council buildings; Support the Unlocking Clean Energy in GM programme which will see Salford CC develop a solar farm and hydro-electric Scheme and supports energy efficiency improvements in homes through the affordable warmth programme. The budget also supports adaptation to deal with more extreme weather made more likely because of Climate Change including Flood Risk Management.

WARD(S) TO WHICH REPORT RELATES:

All wards

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Introduction

This report is presented in 5 main parts and is designed to pull together the key components of the council's budget into a single document.

It is also presented in this format in order to ensure that interrelated decisions between the revenue budget and the capital programme, and between the general fund and HRA revenue budgets, are taken at the same time and can be seen to be consistent between the different funding sources.

Finally, it also allows the requirement for the council to set three year forward prudential indicators under the Local Government Act 2003 and CIPFA's Prudential Code for Capital Finance to be integrated with the budget setting process, as required by the Code.

Parts 1 to 4 seek the approval of members of the council to the following:

In addition

Part 1 The revenue budget and council tax levy for 2020/21

1.1 The strategic planning and budget framework process

1.1.1 The council's approach to strategic planning and budget framework planning is set out in the Medium Term Financial Strategy, which is being considered by council alongside the budget report. A three year budget strategy has been developed with the aim of smoothing the impact of changes to local authority funding over the life of the strategy – this produces balanced budgets in 2020/21 and 2021/22 with a forecast savings gap in 2022/23 of £3.456m.

1.2 Review of 2019/20 financial performance

1.2.1 On 27 February, 2019, the council set a budget for 2019/20 of £205.241m with an expectation that un-earmarked, general reserves at 31 March 2020 would be £13.2m.

1.2.2 Throughout 2019/20, the Overview and Scrutiny Board has received regular reports on expenditure against the 2019/20 budget and forecast outturn, together with an update on the approved savings programme. The overall forecast full year position as at 30 November 2019, is summarised in the table below and set out in detail in Appendix 1

2019/20 variations from the approved budget		
	Over/(under)spend	
	£'000	£'000
People (Children's) - GF	0.364	
People (Adults)	-	
Place	0.133	
Service Reform	(0.221)	
Public Health	(0.276)	
Integrated Fund - Risk Share	4.914	
Precepts and Charges	-	
Capital Financing	(1.645)	
Net cost of services		3.269
Centrally held items:		
Call on central budgets	(3.269)	
		(3.269)
Projected overall position		**0**
Approved use of general reserves		0
Estimated outturn variation		**0**

1.2.3 The forecast overall position is a balanced budget. However, as indicated above there has been a significant budget pressure within the integrated fund – risk share. The majority of children's and adults (adult social care) expenditure is incurred via joint commissioning arrangement through the integrated fund. The position of the integrated fund is detailed in paragraph 1.2.7.

1.2.4 The council has been able to avoid resorting to the use of general balances by using the receipt of Manchester Airport Group income in excess of estimates, releasing residual central budgets related to pay and price increases and grant funding, releasing the balance of social care grant money held centrally and making savings within treasury managem80ent from the re-profiling of capital spend.

1.2.5 The forecast year end position is based on projections as at the end of November 2019 and is subject to potential fluctuations by year end. Any further major variation in service group expenditure is expected to be made good in 2020/21 and therefore there should not be a continuing impact on the budget.

1.2.6 The schools budget funded by the Dedicated Schools Grant (DSG) is projected to have an in-year negative variation of £5.313m at the year end. This variance is mainly due to pressures within the High Needs block resulting from increasing demand and additional council statutory duties for 19 to 25 year olds as a result of the Children’s and Families Act for which no additional funding has been provided by central government. The outturn variance will be carried forward and will be an added pressure to the High Needs block in 2020/21. A recovery plan, developed during 2019/20, sets out how financial pressures could be managed and is subject to further discussion with the relevant government department.

Integrated fund

1.2.7 In 2019/20 the Council and Salford CCG expanded its pooled budget arrangements through the creation of an integrated fund covering a range of Children’s, Adults and Primary Care services. Both Adults and Children’s social care services continue to face significant pressures, however, the financial impact of these pressures is shared with Salford CCG under the terms of the risk share agreement. The risk sharing split between the council and CCG of the combined budgets is shown below, with the impact upon the Council revenue budget in 2019/20.

	Forecast Overspend	**Salford Council**		**Salford CCG**	
Service	**£m**	**%**	**£m**	**%**	**£m**
Children's	6.651	68%	4.517	32%	2.134
Adults	1.876	21%	0.397	79%	1.479
Total	**8.527**		**4.914**		**3.613**

1.2.8 Children’s services forecast an adverse position of £6.7m largely due to the continued demand pressures within the looked after children areas of the budget. The most significant drivers of this pressure are outside placements (£4.7m) and in house Foster Care and Children’s homes provision (£1.4m). The service has implemented new models of service delivery such as Route 29 which should help to stabilise and then reduce demand going forwards. However, in the short term the council will contribute £4.5m towards the forecast overspend of £6.7m with the CCG meeting 32% of the financial pressure.

1.2.9 Adult social care services face pressures of £6.1m with a forecast adverse net position of £1.9m on the integrated fund. Should this be the position at year end the council would be expected to contribute approximately £0.4m towards the net overspend with the CCG meeting the remaining pressure.

1.3 The medium-term financial strategy

1.3.1 The Medium Term Financial Strategy (MTFS) takes a three year view from 2020/2021 to 2022/2023 and links the revenue budget, capital programme and treasury management strategy. The MTFS sets how the City Council will fund Salford’s ambitions and priorities. The MTFS is the central document for our future financial planning:

- Plays a key role in the council’s annual budget setting process – the MTFS sets the financial and wider context in which the council’s annual resource allocation and budget setting is considered

- Ensures the budget and our future financial plans are in line with Salford priorities
- Covers a three year period but is updated and reviewed regularly and will be approved annually by Council
- Identifies sustainable, alternative and increased sources of income

1.3.2 The strategy is a separate document that is considered by council alongside the budget report.

1.3.3 There is a degree of uncertainty about local government funding after 2020/21 with a business rate reset, a new fair funding model and a spending review all impacting on the resources available to the council.

1.4 Level of general reserves 31 March 2020

1.4.1 The level of non-earmarked general reserves as at 31 March 2020 is estimated to be as follows.

General fund reserves	
	£m
Balance as at 31 March 2019	13.2
Add:	
Planned call on reserves in 19/20	0.0
Estimated balance as at 31 March 2020	**13.2**

1.4.2 Section 25(1) (b) of the Local Government Act 2003 requires the chief finance officer (or “s151 officer”) to report to the authority on the adequacy of the proposed financial reserves. Guidance from CIPFA is that local authorities, on the advice of their chief finance officer, should make their own judgement on a minimum level of reserves, taking account of the strategic, operational and financial risks facing the authority.

1.4.3 A risk assessment has therefore been undertaken to establish what should be a minimum level of general reserves for Salford. The details are provided at *Appendix 2.* While the assessment is not an exact science, and views may differ on what constitute key financial risks and their evaluation, the assessment indicates that the level of general reserves during 2020/21 should range between a minimum of £12.7m and a desirable target of £22.1m.

1.4.4 A reserves strategy, which potentially can include the potential use of reserves in support of the revenue budget, is considered later in this report and in the MTFS.

1.4.5 The projected level of reserves at paragraph 1.4.1 above does not include balances related to Dedicated Schools Grant as outlined in 1.2.6 above. As outlined above, work will be ongoing in 2020/21 to address the current deficit and ongoing budget pressures.

1.5 The local government finance settlement 2020/21

1.5.1 The government published its provisional settlement on 20 December 2019. Following consultation, the final settlement was published on 6 February 2020, with confirmation expected in late February following a parliamentary debate. There were no material changes affecting Salford between the provisional and final settlement. The headlines of the settlement and its impact on Salford are set out below. The public health grant for 2020/21 has not been announced yet, so the figures used are the government’s place-holders, based on 2019/20 allocations.

National headlines

1.5.2 The 2020/21 settlement funding assessment indicated a headline rise of 1.5% in local authority funding.

National Data - 2020/21 settlement				
	2019/20	**2020/21**	**Change**	
	£m	**£m**	**£m**	**%**
Local share	15,305	14,586	-719	
Revenue Support Grant	653	1,612	959	
Settlement Funding Assessment	15,958	16,198	240	1.5%

1.5.3 Other key headlines in the settlement are as follows:

- an increase to RSG of 1.63%
- upholding the decision to eliminate "negative RSG" in 2020-21
- maintaining Rural Services Grant in 2020-21 at £81m
- confirming the proposals for Council Tax referendum limits for 2020/21 as 2% core increase and 2% adult social care precept
- an additional £1 billion Social Care Grant for adult and children's service whilst maintaining improved Better Care funding at 2019-20 levels
- New homes bonus to continue in 2020/2021 however there is no commitment to pay related legacy payments in future years. The government announced a further review of the scheme with consultation to be undertaken in Spring 2020.

Local headlines

1.5.4 The headlines for the council are as follows:

Settlement Funding Assessment (SFA) – revenue support grant, business rates growth and top up.

- Settlement Funding Assessment increase of 1.3%
- Like-for-like increase in SFA from 2019/20 £1.5m

Council tax

- Referendum limit 2%
- Adult social care precept 2%

Spending power

- Spending power +7.8%
- Net increase in spending power +£19.2m
- (spending power is SFA plus council tax plus NHB plus Improved Better Care Fund plus social care grants)

Schools funding

- DSG +6.6%

- Increased by £10.5m

Social care grants

- New social care grant £5.8m
- £2.3m social care support grant rolled into social care grant to give a new social care grant total of £8.1m
- £1.3m winter pressures rolled into improved better care fund grant
- Continuation of improved better care fund existing allocations at £12.4m

1.5.5 The council, along with other Greater Manchester authorities, is a 100% BR retention pilot. As such, its local share of business rates includes sums that for non-pilot local authorities would be distributed separately as RSG and public health grant. The council is not disadvantaged by this, as shown below:

SCC Data 2020/21 Settlement			
	Unadjusted £m	**100% pilot £m**	**Difference £m**
Business rates baseline			
SCC Local share	38.529	77.843	39.314
Top up grant	34.104	35.811	1.707
Total	72.633	113.654	41.021
Revenue Support Grant			
RSG before grant adjustments	20.810	0.000	-20.810
Settlement funding assessment	93.443	113.654	20.211
PH grant	20.211	0.000	-20.211
Total	113.654	113.654	0.000

1.5.6 The change from last year's settlement is shown below.

SCC Data 2020/21 Settlement				
	2019/20	**2020/21**	**Annual change - like for like**	
	£m	**£m**	**£m**	**%**
Business rates baseline:				
SCC Local share	76.595	77.843	1.248	1.6%
Top up grant	35.561	35.811	0.250	0.7%
Total	112.156	113.654	1.498	1.3%
Revenue Support Grant				
RSG before grant adjustments	0.000	0.000	0.000	na
Settlement funding assessment	112.156	113.654	1.498	1.3%

1.5.7 Overall, the one year financial settlement was better than had been assumed in medium term projections which had reflected a continuing reduction in revenue support grant based upon year on year reductions since 2010..

Core Spending Power

1.5.8 The government continues to use its core spending power calculations to report the changes in councils funding. The figures for the council are given in the following table. The council increase of 7.8% compares to a national increase of 6.3%. In the 2020/21 Salford has done relatively well because of the growth of the council tax base and new homes bonus but 1% of the increase is due to an overestimate of the actual growth in the council's tax base in the government's calculation of core spending power.

Spending Power Calculation			
	2019/20 £m	**2020/21 £m**	**Change %**
Settlement Funding Assessment	112.156	113.654	
Compensation for under-indexing BR multiplier	2.329	2.911	
Council Tax Requirement	107.909	116.461	
New Homes Bonus	6.046	8.691	
Improved Better Care Fund	12.355	13.673	
Adult Social Care Support Grant	-	-	
Winter pressures Grant	1.318	-	
Social Care Support Grant	2.251		
Social Care Grant		8.124	
	244.364	**263.514**	**7.84%**

1.5.9 The government's calculation of core spending power as the headline figure in its reporting of local government funding is misleading. It does not demonstrate the impacts of inflationary increases and the increasing demands on services, which increase councils' requirement to spend just to maintain a continuing service.

1.6 Other government funding - New Homes Bonus (NHB)

1.6.1 The new homes bonus is to continue for another year but, based upon the government's recent announcements, it is likely to be phased out in its current form by 2023/24. The government is to consult on the future of the housing incentive in the Spring. There is a significant risk that Salford will not receive an equivalent level of funding from any replacement scheme.

1.6.2 The major change in NHB for 2020/21 is that the new amounts earned in Year 10 will only attract an NHB reward for one year in 2020/21. In the following year 2021/22, rewards will only be paid in respect of years 8 and 9, and in year 2022-23 only for year 9. NHB will effectively end by 2023/24.

1.6.3 The allocation of New Homes Bonus to Salford is set out in the table below.

New Homes Bonus funding				
Build year	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**	**2022/23 £m**
Year 6, 2016/17	1.655			
Year 7, 2017/18	0.743	0.743		
Year 8, 2018/19	1.881	1.881	1.881	
Year 9, 2019/20	1.767	1.767	1.767	1.767
Year 10, 2020/21		4.300		
Totals	**6.046**	**8.691**	**3.648**	**1.767**

1.7 Other government funding - Schools funding

1.7.1 School funding is provided by a ring-fenced specific grant, the Dedicated Schools Grant (DSG), which is paid by the Education and Skills Funding Agency (ESFA) to local authorities.

1.7.2 While the overall Dedicated Schools budget has increased, this increase has largely been in the Schools and High Needs blocks, partly as a result of the continued pupil growth within both mainstream and special schools within the city and the impact of the increase in funding announced in 2019 spending review of £2.6bn. There has been significant pressure on the High Needs block since 2017/18 caused by both increased demand and additional council statutory duties for 19 to 25 year olds as a result of the Children's and Families Act for which no additional funding has been provided by central government. These pressures have continued in 2019/20, alongside additional pressures within the Early Years block resulting from National Funding formula changes and the restrictions on funding which can be centrally retained.

1.7.3 DSG funds have to either be delegated to schools or used for centrally retained services for pupils. Local authorities are required to provide returns on both the budget and outturn DSG to demonstrate that the grant has been allocated and expended within the overall grant conditions.

1.7.4 There have been changes to the distribution methodology of the DSG since 2013-14 to reflect the first phase of school funding reforms. The reforms affect the whole of the school funding system, including funding for local authority maintained schools, early years providers, local authority centrally retained budgets, academies, free schools and post 16 special educational needs provision. The government's central priority of the reforms is to simplify and standardise local school funding arrangements, ahead of the introduction of a national funding formula. The introduction of the national formula was originally intended for 2015/16 but has been delayed for various reasons. The full implementation has been delayed to 2021/22.

1.7.5 The DSG allocation to the city council for 2020/21 has been allocated based on a rate per pupil for Primary of £4,355 (£4,178 2019/20) and Secondary of £5,642 (£5,378 2019/20) in the schools block .The full time equivalent per pupil amount for the early years block is £4,351 (£4,275 2019/20), which is an increase from 2019/20 of £76. As detailed above the high needs block is now based on the National Funding Formula.

1.7.6 Salford's indicative DSG for 2020-21, based on the October 2019 pupil numbers for the schools block, an estimated allocation for the early years block and a cash sum for the high needs block, is set out below.

DSG block allocations

Block	Note	2019-20 Revised allocation £m	2020-21 Initial allocation £m	Increase £m
Schools block		161.692	171.378	9.686
Early years block	1,2	19.188	19.507	0.319
High needs block		28.016	31.486	3.470
Central Schools Services Block		2.781	2.444	-0.337
sub-total		211.677	224.815	13.138
Grand Total		**211.677**	**224.815**	**13.138**

Notes

1 The 2019/209 allocation is provisionally based on the January 2019 pupil census only. It will be adjusted in July 2020 to reflect (7/12ths of) the January 2020 census.

2 The 2020/21 allocation is provisionally based on the January 2019 pupil census. It will be adjusted in July 2020 to reflect the January 2020 census (5/12ths of) and again in July 2021 to reflect the January 2021 census (7/12ths)

1.7.7 The allocation is provisional and, as noted in the table above, subject to a number of changes.

1.7.8 The main factors contributing to the increase in DSG are:

- Increase in pupil numbers and places.
- National schools funding uplift announced in 2019 spending review

1.7.9 The changes are analysed in more detail below.

DSG increase 2019-20 to 2020-21 (excluding non-block funding)		
	£m	**£m**
2019-20 revised allocation		**211.677**
Increases in schools block:		
Pupil number growth	2.365	
Schools Funding Uplift	7.321	
		9.686
National 20% reduction in historic commitments funding		
	-0.337	-0.337
Increases/Decreases in early years block		
Increase in hourly rate for both 2 and 3/4 year old funding	0.319	
		0.319
Increases/Decreases in high needs block:		
Increase in Special School Pupils	0.464	
Impact of implementation NFF	3.006	
		3.470
2020-21 initial allocation		**224.815**

1.7.10 Two year old funding has moved to participation funding from 2015/16 based on the January census of children accessing funded places. Salford's initial allocation for 2020/21 is based on January 2019 census and is based on an hourly rate of £5.38. The allocation will be updated to reflect January 2020 and 2021 census information.

1.7.11 There is protection in place, in the form of a guaranteed minimum amount LAs will receive per pupil in 2020/21. It is calculated by dividing the schools block adjusted baseline total by the LAs 2019/20 schools block pupil count (without the deductions for pupils in high needs places).

1.7.12 There is a degree of protection in place for schools with falling budgets. The minimum funding guarantee (MFG) per pupil for schools is set at +1.84% for 2020-21 (was 0% in 2019/20). For schools where pupil numbers are reducing, aggregate budgets can still fall in excess of this amount.

1.7.13 The Pupil Premium targets additional money at pupils from the most deprived backgrounds to help them achieve their full potential. The pupil premium is in addition to DSG funding and is calculated based on pupil eligibility for free school meals using the "Ever 6" measure (any pupil eligible for free school meals on any of the previous six years) and eligible service children and post looked after children based on the January 2020 school census (excludes nursery pupils). In addition, there will be funding for looked-after children as recorded on the council's looked after children return as at 31st March 2020.

1.7.14 Schools have the freedom to spend the Pupil Premium, which is additional to the schools budget, in any way they think best to support the raising of attainment for the most vulnerable pupils.

1.7.15 The Pupil Premium rates for 2020/21 have been announced and they are shown below:

- Primary schools free school meals Ever 6 rate £1,345 (2019/20 rate was £1,320)
- Secondary schools free school meals Ever 6 rate £955 (2019/20 rate was £935)
- Primary and secondary schools looked after children rate £2,345 (2019/20 rate was £2,300

- Primary and secondary schools post looked after children rate £2,345 (2019/20 rate was £2,300
- Primary and secondary schools service children rate £310 (2019/20 rate was £300)

1.7.16 Early Years Pupil Premium (EYPP) was introduced in 2015/16. 3 and 4-year-olds in state-funded early education will attract EYPP funding if they meet certain criteria.

1.7.17 Children must be eligible for free early education in order to attract EYPP funding. They will become eligible at different points in the year depending on when they turn 3.

1.7.18 Salford's indicative EYPP allocation for 2020-21 is £0.249m.

1.7.19 In addition to the schools budgets, the DSG also funds some central activities e.g. pupil referral units, early years provision, high cost special educational needs pupils. Any under/over spending in these areas in 2019/20 will be carried to the 2020/21 financial year and adjusts the overall funds available for use in that year.

1.7.20 The council also receives capital grant allocations from DfE in respect of schools. These are:

- Basic need allocation, £9.840m for 2020/21, (nil in 2019/20) based upon DfE calculation of need to create placements.
- Capital maintenance indicative allocation £1.6m, (£1.6m in 2019/20).
- Devolved formula capital grant, indicative allocation £0.4m (£0.4m in 2019/20).

Universal Infant Free School Meals Grant

1.7.21 The government makes a grant allocation to fund free meals for children in reception, year 1 and year 2 in state-funded schools. Whilst no details of 2020/21 allocations / rate per pupil have yet been released, it is anticipated that the council will continue to receive universal infant free school meals grant in 2020/21, at the same rate as in previous years of £2.30 per pupil per day. The allocation is based on the average number of meals recorded in the October 2020 and January 2021 school censuses.

1.8 Other government funding - Public Health

1.8.1 The majority of public health commissioning responsibilities transferred from the NHS to local authorities in April 2013. These responsibilities contain a set of mandated services which include population healthcare advice to the NHS, the national child measurement programme, sexual health services and cardiovascular health checks.

1.8.2 In addition to the transfer explained above, with effect from 1st October 2015, the responsibility for the commissioning of 0-5 public health services transferred from NHS England to local authorities. This involves the commissioning of health visitors and the Family Nurse Partnership.

1.8.3 The public health grant has been subject to reductions over recent years with a £3.454m reduction from the 2015/16 grant allocation (re-based to reflect the full year effect of the transfer of commissioning responsibilities for 0-5 public health services) to the 2019/20 grant allocation which was rolled into 100% Business Rates retention in 2017/18. The Spending Round 2019 indicated a real terms increase to the public health grant in 2020/21 however confirmation of the 2020/21 allocation has not yet been provided.

1.9 Other government funding - adult social care

Local Reform and Community Voices Grant and Social Care in Prisons Grant

1.9.1 Local Reform and Community Voices (LRCV) and Social Care in Prisons (SCiP) grants provide funding for a number of additional duties and responsibilities of local authorities, arising from the Health and Social Care Act 2012.

1.9.2 The LRCV grant allocation for 2020/21 has not yet been confirmed (2019/20 £189k). It will provide funding to support Deprivation of Liberty Safeguards (DOLS) in hospitals, Local Healthwatch and the Independent Complaints Advocacy Service.

1.9.3 The SCiP grant allocation for 2020/21 has not yet been confirmed (2019/20 £180k) It will provide funding for meeting the care needs of offenders.

Better Care Fund / Integrated Fund for Health and Social Care

1.9.4 The Better Care Fund (BCF) supports the transformation and integration of health and social care services and improves outcomes for patients, service users and carers.

1.9.5 The BCF/improved BCF plan for Salford will be presented in the context of the integrated care system. The four partners: Salford City Council, NHS Salford CCG, Salford Royal NHS Foundation Trust and Greater Manchester Mental Health NHS Foundation Trust develop a Service and Financial Plan for the integrated care programme which incorporates the use of BCF.

1.9.6 From 2019/20 expanded integration arrangements have been in place. These integrated arrangements incorporate BCF and are set out in more detail at section 1.20.21.

Independent Living Fund (ILF)

1.9.7 The council received £0.786m ILF funding in 2019/20. The provisional local government finance settlement has confirmed the total value and individual local authority allocations of the grant will be maintained at 2019/20 values. The 2020/21 budget assumes that the grant will be allocated to adult social care for this specific purpose, will be sufficient to fund commitments and will enable the council to discharge its ILF responsibilities.

Social care grants

1.9.8 The council receives funding to address demand in social care. The grants are non-recurrent pending the government's forthcoming green paper on social care funding. It is not a viable long term solution to the critical national problem of social care funding.

1.9.9 Part of the grant is distributed to local authorities on an assessment of need. The council will receive £8.1m social care grant funding and improved better care funding of £13.7m. Both grants will be deployed via the integrated fund for health and social care.

1.10 Levies and charges

1.10.1 The council contributes its share to the costs of the following bodies:

- Greater Manchester Combined Authority (GMCA)
- Waste levy
- Transport levy
- Economic development and regeneration functions

- AGMA functions
- DEFRA Environment Agency

Bus reform

1.10.2 The financial case for the bus reform proposals include a full assessment of how the GMCA could afford to make and operate the proposed scheme. The assessment set out a range of credible funding sources which exceed the net modelled costs to operate the scheme over the proposed transition period. The assessment also concluded the proposed franchising scheme was affordable and would represent value for money. Following the audit of the assessment the GMCA agreed in October to commence consultation on the proposed franchising scheme which included a proposed funding package.

1.10.3 The forecast net costs over the transition period up to 2024/25 are approximately £134.5m. The sources of funding include £78.0m of mayoral 'earn back' funds (provided by central government as part of Greater Manchester's Devolution Agreement), £11.0m raised by the existing precept as part of the Mayor's 2019/20 budget for bus reform purposes and £22.7m from the mayoral precept in future years budgets, £5m of existing and forecast business rates receipts held by GMCA and £17.8m of contributions by Local Authorities as a proposed one off increase in the statutory contribution in 2020/21. Any differences between the cash-flowed spend and profiled funding requirement will be covered through prudential borrowing rather than being an additional funding ask. Discussions are also ongoing with Government around their level of support to deliver bus reform which could potentially reduce the local funding required including from the mayoral precept.

1.10.4 The full business case will be included in the consultation documentation and includes the indicative profile of the costs and funding requirement.

1.10.5 .The actual waste levy for 2020/21 is £19.572m compared with £20.184m in 2019/20.

1.10.6 The transport levy for 2020/21 is £9.568m and a transport statutory charge of £7.842m for a total of £17.410m compared with £17.284m in 2019/20.

1.10.7 The council's contribution to the other GMCA functions is expected to be £0.824m in 2020/21 (£0.800m in 2019/20).

1.10.8 The council will contribute £0.059m to AGMA activities in 2020/21 (£0.072m in 2019/20).

1.10.9 The Environment Agency levy is estimated to be £0.132m in 2020/21 compared with £0.128m in 2019/20. This levy includes the cost of funding new flood defence schemes, the maintenance of the river system and existing flood defences together with the operation of a flood warning system.

1.11 Council tax

1.11.1 A tax base of 69,945 (68,413 in 2019/20) band D equivalent dwellings was approved by the Lead Member for Finance and Support Services on 6 January, 2020 under delegated powers, an increase of 1,532 dwellings from 2019/20.

1.11.2 The increase in band D equivalent dwellings is attributable to new developments and a reduction in the number of single person discounts.

1.11.3 The estimated council tax revenue includes the effect of the revised council tax reduction scheme under consideration alongside the budget report.

2% council tax increase for adult social care

1.11.4 The government has allowed councils to levy up to 2% above the referendum limit for a social care precept, The council invests these funds in adult social care services through its integrated care arrangements, where it is used to manage existing pressures and growth in costs, for example living wage costs which impact of the contracting of places for adult social care. The council intends to raise council tax by the 2% permitted in 2020/21.

1.11.5 The council tax levy for Salford's services will increase by 3.99% in 2020/21 including 2% for adult social care. This is within the referendum level set by the government which is described as follows:

1.11.6 "For 2020-21, the relevant basic amount of council tax of an authority which belongs to the category mentioned in paragraph 2(a) is excessive if the authority's relevant basic amount of council tax for 2020-21 is 4% (comprising 2% for expenditure on adult social care, and 2% for other expenditure), or more than 4%, greater than its relevant basic amount of council tax for 2019-20."

1.11.7 The share of the expected revenue from council tax in 2020/21 for Salford's services from a 3.99% increase is as follows:

2020/21 council tax revenue - council services	
Band D council tax for the council's services 2019/20	£1,577.32
Band D council tax 2020/21 with 2% ASC increase	£1,608.87
Impact on band D council tax £31.55	
Band D council tax 2020/21 (3.99% overall increase including ASC)	**£1,640.26**
multiplied by the tax base of 69,945 band D equivalent properties	£m
Estimated council tax revenue 2020/21	**114.728**

1.11.8 The government requires that the council includes a narrative on the council tax bill to show the increase attributable to the adult social care precept. The council has levied a 2% precept in 20/21. Based on the council tax level shown above the application of this increase will add £31.55 to the band D equivalent council tax charge and generate £2.2m in council tax revenues.

1.12 Business Rates Retention Scheme (BRRS)

1.12.1 Under the BRRS the government has assumed that the council's net business rates yield in 2020/21 will be £77.843m (at 99% retention - for comparison equivalent to £38.528m on a 49% retention basis).

1.12.2 The council's 2020/21 estimate is based on the estimated outturn position for 2019/20 and takes into account the following:

- The latest rateable value list.
- An estimate of growth.

- The national business rates multiplier and small business rates multiplier. The provisional small and main business rates multipliers for 2020/21 are 49.1p and 50.4p respectively.
- Estimates of the impact of various statutory and discretionary reliefs.
- Potential losses on appeal.

1.12.3 The council's 2020/21 estimate as shown in the NNDR1 return to the government forecast that our business rates yield will be £90.960m to be shared as shown below.

2020/21 business rates estimate	
	Impact on yield £m
Gross rates payable (including growth)	126.543
Small business rate relief	-8.975
Mandatory relief	-8.874
Empty property relief	-6.414
Discretionary relief	-0.395
Retail discount relief	-1.344
Other relief	-0.013
Estimated losses in collection	-3.529
Costs of collection allowance	-0.442
Estimated cost of appeals	-5.597
Net business rate yield	**90.960**
To be distributed as follows:	
• Council share, govt assumption	77.843
• Council share, excess over govt assumption	6.042
• GM and other	6.165
• GMCA (fire element) share (1%)	0.910
	90.960

1.12.4 The business rates projections continue to be calculated using a prudent approach which takes into account estimated growth arising in particular from our regeneration initiatives, but also factors in the financial risk to the council arising from potential losses of income due to appeals, possible charitable relief claim increases and the escalation of business rate avoidance schemes, whereby companies exploit loopholes in the existing law. In particular, it is difficult to establish a trend for the impacts on our business rate yield resulting from the cost of appeals. This area is of national concern to local authorities as it is having a dramatic impact on the level of growth.

100% Business rates retention

1.12.5 In 2020/21 Salford will again be part of the 100% rates retention pilot scheme operating across Greater Manchester. As a pilot authority, the council retains 99% of locally-raised business rates with the remaining 1% being distributed to GMCA in relation to its fire responsibilities. To ensure that this is fiscally neutral, pilot councils have additional responsibilities. Revenue support grant and Public Health Grant are no longer receivable, but are funded instead through the increased local share. Councils' tariffs and top-ups are adjusted to ensure cost neutrality.

1.12.6 In addition, all authorities have a power to reduce the business rates multiplier. Within Greater Manchester, the elected mayor has the power to levy 2p in the pound to fund new infrastructure projects.

1.12.7 The system takes account of the changing shape of local government, including the role of combined authorities. In the underpinning agreement, pilots are required to deliver at least some elements of:

- devolution of new responsibilities
- needs and resource redistribution
- the new 100% rates retention system [ie some of the technical and financial mechanics for how it should operate]

1.12.8 Greater Manchester (GM) cannot be any worse off than under the previous 50% system. The basis of the pilot is that this is to be without detriment to the resources that would have been available to the individual local authorities within GM. The calculation is at GM level, with the aggregate position of local authorities plus any levy payments retained through the continuation of the business rates pooling arrangement. Any gain from the overall GM position set out is first used to make good any losses at an individual district level. A decision is then required whether any remaining gain is retained at GM level. In 2019/20, the council shared the benefit of the pilot on a 50:50 basis with GMCA, however resources were subsequently redistributed from GMCA to districts.

1.12.9 The table below shows the impact of the changes in the 2020/21 government funding as a result of the 100% business rates retention pilot. It confirms that the pilot arrangements are without detriment to the council.

SCC Data 2020/21 Settlement			
	Unadjusted £m	**100% pilot £m**	**Difference £m**
Business rates baseline			
SCC Local share	38.529	77.843	39.314
Top up grant	34.104	35.811	1.707
Total	72.633	113.654	41.021
Revenue Support Grant			
RSG before grant adjustments	20.810	0.000	-20.810
Settlement funding assessment	93.443	113.654	20.211
PH grant	20.211	0.000	-20.211
Total	113.654	113.654	0.000

1.13 Collection Fund

1.13.1 The Collection Fund is the account in which the council tax and business rates raised must be balanced with that collected. Each year the council is required by legislation to determine whether it has a surplus or deficit in collection on the account, taking into account its overall expected collection (not just the collection within the year).

1.13.2 Any surplus or deficit arising on the fund must be shared as follows:

- Council tax balance – to be shared with the precepting authorities in proportion to each authority's share of the council tax
- Business Rates balance - to be shared by the government (prior to the 100% retention pilot), council, GM business rate pool and GMCA (fire authority) based on the proportionate share in accordance with the rules governing the Business Rates Retention Scheme

Council tax

1.13.3 As at 31 March 2020, it is expected that in respect of council tax the Collection Fund will have a surplus of £0.963m and this position was formally approved by the Lead Member for Finance and Support Services on 6 January 2020 under delegated powers.

Collection Fund - council tax estimated balance 31 March 2020	
	Impact on yield £m
Council tax estimated **surplus** 31 March 2020	0.963
To be distributed in 2020/21 based on the 2019/20 council tax levels:	
• **Council share**	**0.820**
• GMCA (police element)	0.103
• GMCA (general mayoral and fire & rescue element)	0.040
	0.963

Business rates

1.13.4 As at 31 March 2020, it is expected that in respect of business rates the Collection Fund will have a £2.001m surplus; with the council's share being £1.981m.This position was formally approved by the Lead Member for Finance and Support Services on 6 January 2020 under delegated powers. The surplus will be distributed in 2020/21 as indicated in the following table:

2019/20 outturn estimate business rates			
	Original estimate £m	Estimated outturn £m	Variance £m
Gross rates payable including growth	124.568	125.000	0.432
Small business rate relief	-8.349	-9.200	-0.851
Mandatory relief	-8.922	-9.121	-0.199
Empty property relief	-5.882	-6.100	-0.218
Discretionary relief	-0.352	-0.471	-0.119
Other relief	-2.285	-1.369	0.916
Estimated losses in collection	-3.512	-4.000	-0.488
Costs of collection allowance	-0.442	-0.442	0.000
Estimated cost of appeals	-5.510	-4.250	1.260
2018/19 adjustment	0.000	1.269	1.269
Net business rate yield	**89.314**	**91.316**	**2.002**
To be distributed as follows:			
• **Council share (99%)**	**88.421**	**90.403**	**1.982**
• GMCA (fire element) share (1%)	0.893	0.913	0.020
	89.314	91.316	2.002

1.13.5 The main factors in this surplus position the difference between the estimated and actual outturns for 2019/20 are:

- The 2018/19 adjustment relates to the difference between the estimated and actual outturns for 2018/19. The main reason for the positive difference was an increase in gross rates payable of an additional £1m to that which had been estimated.
- Several outstanding appeals with large rateable values have either been dismissed or settled favourably this year for a lower cost than had been provided for them. This has resulted in a reduced contribution being needed to top the provision for estimated appeal costs back up to the required level for appeals still outstanding.

1.14 Summary of total available resources

1.14.1 The local government financial settlement and other government funding can now be brought together with the resource assumptions in the financial strategy, particularly over the level of council tax and business rates yield, to determine the available resources for revenue expenditure in 2020/21.

1.14.2 The total available resources arising from the sections above are shown in the table below.

2020/21 total available resources (core funding - final financial settlement)			
	2020/21 Original £m	2020/21 Revised £m	Variation in core funding £m
Forecast resources:			
Council funding:			
Council tax	113.564	114.728	1.164
Retained business rates:			
> Council share, govt assumption	68.532	77.843	9.311
> Council share, excess over govt assumption	1.215	6.042	4.827
Collection fund estimated balances 31/03/2020:			
> Council tax surplus	0.000	0.820	0.820
> Business rates surplus	0.000	1.982	1.982
	183.311	201.415	18.104
Government funding:			
> Revenue support grant	0.000	0.000	0.000
> Business rates top up	39.503	35.811	-3.692
	39.503	35.811	-3.692
Public Health grant funded from BRRS	-20.211	-20.211	0.000
Total available resources	**202.603**	**217.015**	**14.412**

1.15 2020/21 spending requirement

1.15.1 Last year's budget report included a continuation of service budget for 2020/21 at £217.563m which was £14.960m above the estimated total available resources. This is shown in the following table.

Original financial projection 2020/21	
	2020/21 £m
Forecast resources:	
Council funding:	
Council tax	113.564
Retained business rates:	
> Council share, govt assumption	68.532
> Council share, excess over govt assumption	1.215
Government funding:	
> Business rates top up	39.503
Total resources	222.814
Public Health grant funded from BRRS	-20.211
Total available resources	202.603
Total spending requirement	217.563
Funding gap	**14.960**

1.15.2 A continuous review of medium-term spending requirements has been maintained as developments have unfolded during the year. Requirements have been built up from this base position to develop a continuation of service budget which takes into account:

- any expected new spending pressures
- changes in the level of specific government grants
- issues emerging from 2019/20 budget monitoring
- latest forecasts of business rates retained income and council tax

1.15.3 This review has led to a revised funding gap, after reviewing council tax and business rates income assumptions, of £9.812m as set out in paragraph 1.16.1 below.

1.16 Savings requirement - bridging the budget gap

1.16.1 The 2019/20 budget report forecast a funding gap/savings requirement of £14.960m for 2020/21. With a budget settlement better than expected the pressure on the council's short term position is eased. There is therefore an opportunity to step back and take a longer term view, managing resources over three years.

2020/21 proposed savings summary	
	2020/21 £m
Funding gap	
Estimate in 2019/20 budget report	14.960
Projection changes before provisional settlement	-1.986
Projection changes following provisional settlement	-9.359
Additional funding from the provisional settlement	-0.333
Collection fund outturn	-2.802
Service investment - street cleaning	0.585
Participatory budgets	0.250
Three year smoothing strategy	8.497
Revised funding gap prior to savings and efficiencies	**9.812**
Urban Vision savings	-1.230
Integrated fund contribution	-4.420
2018/19 GM business rates growth share	-2.400
Levy adjustments	-1.762
Savings and efficiencies	**-9.812**
Savings surplus or shortfall	**0.000**

1.16.2 The Council will still need to make difficult choices and further changes to services if it is to deliver on the balanced three year forecasts set out in the MTFS Changes announced in the Spending Round have also only been confirmed for one year – with no clear guide on funding beyond 2021.

1.16.3 The medium term strategy as set out within this agenda aims to deliver balanced budgets for 2020/21, 2021/22 and allow time to develop savings to meet the savings requirement in 2022/23 of £3.456m.

1.17 2020/21 balanced budget projection and assumptions

1.17.1 The proposals for a balanced budget produce a net spending requirement of £217.015m are shown below and do not require any use of existing general fund reserves.

2020/21 balanced budget projection				
	Original estimate 2020/21 £m	Revised estimate 2020/21 £m	Savings / budget reductions £m	Budget Assumptions Note ref.
Forecast resources				
Council tax	113.564	114.728	1.164	1
Retained business rates:				2
> Council share, govt assumption	68.532	77.843	9.311	
> Council share, excess over govt assumption	1.215	6.042	4.827	
Government funding:				
> Business rates top up	39.503	35.811	-3.692	3
Collection Fund estimated balances 31/03/2020:				4
> Council tax estimated surplus	0.000	0.820	0.820	
> Business rates estimated surplus	0.000	1.982	1.982	
Total resources	**222.814**	**237.226**	**14.412**	
Public Health grant funded from BRRS	-20.211	-20.211	0.000	5
Total available resources	**202.603**	**217.015**	**14.412**	
Spending requirement				
Base budget	205.241	205.241	0.000	6
Capital financing requirement	1.000	1.000	0.000	7
Pay inflation	1.862	3.391	1.529	8
Price inflation	0.386	0.262	-0.124	9
Service investment - Street cleaning	0.000	0.585	0.585	10
Participatory budgets	0.000	0.250	0.250	11
Pension contribution rate	0.759	0.025	-0.734	12
Increments	0.220	0.220	0.000	13
Other funding issues	-2.671	0.080	2.751	14
Residual cost - national living wage	0.247	0.247	0.000	15
New Homes Bonus	0.000	-2.645	-2.645	16
Adult social care provision	3.306	2.380	-0.926	17
Children's social care provision	0.000	6.273	6.273	18
Government specific grant changes	7.324	-5.768	-13.092	19
Business Rates reserve changes	-5.933	0.967	6.900	20
Three year smoothing strategy	0.000	8.497	8.497	21
2020/21 savings and efficiencies	0.000	-9.812	-9.812	22
Removal of one off efficiencies from 2019/20	5.822	5.822	0.000	23
Total spending requirement	**217.563**	**217.015**	**-0.548**	
Funding gap	***14.960***	***0.000***	***-14.960***	

1.17.2 The key assumptions made in constructing the continuation of service budget shown above are as follows.

Note ref	Budget assumption

Note ref	Budget assumption
1.	Council tax – assumes a council tax increase of 3.99% but on an increased council tax base of 69,945 band D equivalent dwellings.
2.	Retained business rates – reflects growth and changes in the level of reliefs and the appeals provision.
3.	Originally assumed 75% retention in 2020/21 but the pilot continued.
4.	Collection fund estimates: Council tax – reflects the council's share of a £0.963m surplus arising mainly from buoyancy in the property base. Business rates – reflects the council's share of a £2.001m surplus arising from the increased tax base and change to the appeals provision
5.	Estimate based upon 19/20 allocation. Now funded from within the BRRS rather than as a specific grant.
6.	Base budget - the base position is the approved budget for 2019/20.
7.	Revenue consequences of capital spend, including for the provision of repayment of debt and interest rate forecast.
8.	Pay – budgeted for a pay award from 01/04/2020 – awaiting outcome of employer and union discussions.
9.	Prices - 0% for general items, 2.5% for energy costs, 2% for specific external items and as per budget models for levies.
10.	Mayoral priorities street cleaning
11.	Mayoral priorities participatory budget
12.	Pension contribution rate –pressure on LGPS pension rates expected to ease because of fund performance and the employers contribution rate is unchanged.
13.	Increments - No automatic allocations of increments. A lump sum set aside for specific requirements..
14. *	Other funding issues – including in 2020/21 the unwinding of non-recurrent 2019/20 funding, in particular the social care grant continued and airport income estimate did not increase.
15.	The cost of the increase associated with government updates to living wage rates that is not covered by the adult social care precept (within 17 below).
16.	New Homes Bonus –Year 10 will attract an NHB reward for one year in 2020/21. This is the net impact, with legacy payments relating to 2016/17 coming to an end.
17. *	The council's contribution to the adult's pool is modelled to reflect pay and other inflation pressures, 2020/21 assumes continuation of short term

Note ref	Budget assumption
	funding.
18. *	Additional social care grant announced by the government on a non-recurring basis, this will be transferred to the integrated fund to meet existing pressures and consider new priorities for 2020/21.
19. *	Assumptions around business rates reset and ending of social care grants were revised in the light of the settlement, additional social care grant funding announced.
20.	Business rates reserve 2020/21 includes the reversal of the non-recurrent application of the reserve in 2019/20. The original estimate included the use of £6.9m to smooth the impact of the business rate reset due to be implemented in 2020/2021. However with the government postponement of the reset this is not required until 2021/2022.
21.	Three year smoothing strategy as detailed in the MTFS in order to achieve a balanced budget and mitigate the risks associated with changes in core funding and business rates over the life of the strategy.
22.	2020/21 savings proposals are set out in section 1.16.1.
23.	Previous savings met by non-recurrent measures that need to be addressed recurrently, for example the use of reserves, net of future savings already planned.

* these budget assumptions are connected and should be considered alongside one another.

1.18 Reserves

1.18.1 As part of the budget's development, the position with reserves needs careful consideration to ensure that risks are adequately covered and that the budget plans do not put them under undue strain.

1.18.2 The risk assessment undertaken for the 2019/20 revenue budget identified minimum and desirable levels of general fund non-earmarked reserves as follows:

- Minimum level of reserves £12.705m
- Desirable level of reserves £18.845m

1.18.3 The assumptions made in the 2019/20 revenue budget with regard to the forecast level of general reserves over the next three years were as follows:

2019/20 reserves assumptions			
	2019/20	**2020/21**	**2021/22**
	£m	**£m**	**£m**
Balance at 31 March	**13.2**	**13.2**	**13.2**

1.18.4 An assessment of the outturn expenditure for 2019/20 currently shows an anticipated variation on service expenditure of £3.269m against budget, arising through demand pressures. The council has identified central resources to meet this overspend and the forecast net position for 2019/20 is a nil variation. The balanced budget is expected to be achieved without a call on general reserves, leaving reserves in hand at 31 March 2020 of £13.2m.

Reserves strategy for 2019/20 to 2022/23

1.18.5 A full risk assessment of reserves is included at *Appendix 2* but, in summary, an indication of the level of reserves likely to be needed based upon the degree of risk considered appropriate is set out below.

Risk assessment of general fund non-earmarked reserves				
2019/20 (for comparison)		Risk	2020/21	
Minimum £m	Desirable £m		Minimum £m	Desirable £m
0.000	0.000	Pay	1.130	3.955
0.530	0.795	Prices	0.500	0.750
0.750	1.000	Property maintenance	0.750	1.000
1.000	2.000	Adult Social Care	1.000	2.000
0.250	0.350	Service income and charges		
2.000	2.500	Looked-after children	1.500	2.000
0.200	0.400	SEN transport	0.200	0.400
0.375	0.500	Waste levy / recycling		
1.000	1.200	Government funding	4.000	6.000
0.900	1.200	Capital financing	0.900	1.200
1.200	2.500	Business rates retention scheme	1.200	2.500
3.500	4.900	Non-achievement of savings	0.500	0.750
1.000	1.500	Other unforeseen expenditure	1.000	1.500
12.705	**18.845**	**Total**	**12.680**	**22.055**

1.18.6 Based on this assessment, the level of reserves to be held by 31 March 2021 would be:

- Minimum level of reserves £12.680m
- Desirable level of reserves £22.055m

1.18.7 The projected level of reserves at 31 March 2021 is £13.2m.

1.18.8 The use of reserves to reduce net expenditure should be done in a planned manner that adopts the following principles:

- Does not support recurring expenditure
- Is only therefore used in a one-off manner
- Identifies a strategy for ensuring reserves are maintained at an appropriate level

1.18.9 The proposed reserves strategy for 2019/20 to 2022/23 is to *maintain the current level of general fund reserves*. The reserves strategy is shown in the MTFS.

Proposed reserves strategy 2019/20 to 2022/23				
	2019/20 **£m**	**2020/21** **£m**	**2021/22** **£m**	**2022/23** **£m**
Previous forecast	13.2	13.2	13.2	na
Revised forecast				
Opening balance	13.2	13.2	13.2	13.2
Use of reserve to cover overspend	0	0	0	0
Reductions in reserve to reflect reducing risks	0	0	0	0
Additions to reserve to provide for increase risk	0	0	0	0
Closing balance 31 March	**13.2**	**13.2**	**13.2**	**13.2**

1.18.10 The projected level of reserves in the table above does not include DSG schools funding or HRA funding which is maintained separately.

1.19 The council tax levy

1.19.1 If the revenue budget is set at £217.015m then this would lead to a council tax requirement calculated as follows:

2020/21 council tax requirement	
	£m
Net budget	217.015
PH grant funded by BRRS	20.211
Adjusted net budget	237.226
Less:	
Government funding via SFA top-up grant	35.811
Retained business rates - council share per government estimate	77.843
Retained business rates - council share in excess of government estimate	6.042
Collection Fund surplus 31/03/2020 – Council tax	0.820
Collection Fund surplus 31/03/2020 – Business rates	1.982
Council tax requirement 2020/21	**114.728**
Divided by the council tax base (number of band D dwellings)	69,945
Council tax for **council services 2020/21**	
➢ Band D	£1,640.26
➢ Band A	£1,093.50
Council tax increase 2020/21	**3.99%**

1.19.2 The level of council tax for the council's services will be £1,640.26 (for a band D property) which represents a 3.99% increase. It should be noted that the final council tax increase is also dependent on precepts:

- Mayoral police and crime commissioner precept
- Mayoral general precept (including fire services)

1.19.3 The precepts for 2020/21 as proposed by the Greater Manchester mayor and agreed by GMCA are set out in the table below.

2020/21 precepts and impact on the council tax level					
	Precept	Precept at Band D	Precept increase	Council tax level increase	
	£m	£	£m	£	%
Mayoral Police and Crime Commissioner Precept	14.570	208.30	1.004	10.00	5.04
Mayoral General Precept (including Fire Services)	6.361	90.95	1.097	14.00	18.19
Total	**20.931**	**299.25**	**2.101**	**24.00**	**8.72**

1.19.4 Salford's overall council tax for 2020/21 will therefore be as follows.

2020/21 council tax level (Band D)				
	2019/20	**2020/21**	**Increase**	
	£	£	£	%
Salford City Council	1,577.32	1,640.26	62.94	3.99
Mayoral Police and Crime Commissioner Precept	198.30	208.30	10.00	5.04
Mayoral General Precept (including Fire Services)	76.95	90.95	14.00	18.19
Total council tax at band D	**1,852.57**	**1,939.51**	**86.94**	**4.69**

1.19.5 For most tax payers in Salford, who live in band A properties, the bill will be £1,292.99.

1.19.6 Single persons will pay 25% less.

1.19.7 Council tax amounts at each tax band are as shown in the following table:

Council tax levels 2020/21						
	2019/20		**2020/21**		**Change from 2019/20**	
	Single person households (25% discount)	**2 or more person households**	**Single person households (25% discount)**	**2 or more person households**	**Single person households (25% discount)**	**2 or more person households**
	£	£	£	£	£	£
Band A minus	771.91	1,029.21	808.13	1,077.50	36.22	48.29
Band A	926.28	1,235.04	969.74	1,292.99	43.46	57.95
Band B	1,080.65	1,440.87	1,131.38	1,508.50	50.73	67.63
Band C	1,235.04	1,646.72	1,292.99	1,723.99	57.95	77.27
Band D	1,389.43	1,852.57	1,454.63	1,939.51	65.20	86.94
Band E	1,698.20	2,264.26	1,777.88	2,370.50	79.68	106.24
Band F	2,006.95	2,675.93	2,101.13	2,801.50	94.18	125.57
Band G	2,315.71	3,087.61	2,424.38	3,232.50	108.67	144.89
Band H	2,778.86	3,705.14	2,909.27	3,879.02	130.41	173.88

Council tax referendum

1.19.8 The Localism Act places a requirement on local authorities to hold a referendum on the level of council tax if the increase in any year is considered to be excessive.

1.19.9 The Secretary of State has announced the principles for 2020/21 which state that the following would be deemed excessive:

- the relevant basic amount of council tax of an authority which belongs to the category mentioned in paragraph 2(a) is excessive if the authority's relevant basic amount of council tax for 2020-21 is 4% (comprising 2% for expenditure on adult social care, and 2% for other expenditure), or more than 4%, greater than its relevant basic amount of council tax for 2019-20.
- The Greater Manchester Combined Authority in relation to:
    - Police and Crime Commissioner component – any increase at more than £10.00 greater than its relevant basic amount of council tax for 2019/20 (applicable to the police element of the mayoral precept).
    - Mayoral general (including fire) component – no referendum principles were set, meaning that there are no limitations to an increase in precept for this element.

1.19.10 The Local Audit and Accountability Act 2014 includes a definition for the relevant basic amount of council tax used in the referendum principles. Effectively it means the cap will be based simply on the increase in the level of the council's band D council tax.

1.19.11 The council's increase of 3.99% and the precept increases are within the applicable referendum threshold and therefore neither the council nor the precepting authorities will be required to hold a referendum for this purpose.

Council tax empty homes premium

1.19.12 Government legislation has amended the long term empty homes premium scheme for 2020/21. In 2019/20 all properties within the scope of the scheme were charged a 100% premium. From 1 April 2020 onwards properties that have been empty for more than 5 years will be charged a 200% premium with those below 5 years remaining at a 100% premium. From 1 April 2021:100% for a dwelling that has been empty for between 2 and 5 years, 200% for a dwelling that has been empty for between 5 and 10 years and 300% for a dwelling that has been empty for 10 years or more

1.19.13 The purpose of the premium is to incentivise owners to bring long-standing empty properties back into use to help to meet the need for housing within the city.

1.19.14 Increasing the premium to the maximum levels permitted by the newly amended legislation will temporarily generate additional income into the collection fund. Additional income is likely to be short term as the premium achieves its aim of incentivising properties to be brought back into use, at which point the premium is no longer chargeable.

1.20 Budget assumptions and risks

1.20.1 It is a requirement under Section 25 of the Local Government Act 2003 that the Chief Finance Officer (the council's s151 officer) reports to the council on the robustness of the estimates and the assumptions made in compiling the budget and the adequacy of reserves. This section of the report seeks to fulfil that requirement.

Financial health

1.20.2 The financial health of the council will remain relatively strong by maintaining a satisfactory level of general reserves during 2019/20.

1.20.3 Reserves are expected to be approximately £13.2m by 31 March 2020. A risk assessment has been undertaken which identifies that the level of reserves would still be below the desirable level, taking account of key risks, but above the minimum requirement.

1.20.4 In addition, provisions for irrecoverable bad debts on sundry debtor accounts continue to remain at appropriate levels, and reserves to provide against other future liabilities are maintained to reflect the higher levels of risk within our overall finances.

1.20.5 As part of the budget setting process, the the level of reserves is assessed with the intention of releasing reserves to support the revenue budget when safe to do so using a risk rated approach..

1.20.6 Council tax and business rates are key funding sources for the council. The local council tax support scheme and the business rates retention scheme are being managed effectively, but there is a degree of risk inherent in them, in particular associated with the collection of income required to meet budget targets and in appeals against the rating system. The calculations of council tax and business rates revenue therefore continue to include prudent provisions for irrecoverable amounts.

1.20.7 There are *significant* funding risks after 2020/21. The government has initiated consultations into the local government funding formula and the business rates retention system. The council has identified risks in relation to the certainty of NHB funding, sustainable funding for social care, potential changes in the factors included within future funding models and likely loss of retained growth within the business rates system. The risk is exacerbated by the lack of a clear indication from government of its intentions following the one year settlement for 2020/21.

1.20.8 The medium term financial strategy will continue to address these and other issues in a structured and considered manner to ensure that the financial health of the council is maintained

Inflation

1.20.9 Adequate allowance has been made for the impact of inflation based on current estimates.

1.20.10 Whilst the outcome of pay discussions is not yet known, a prudent estimate has been provided for within the base position.

1.20.11 Increases for price inflation have been limited to meeting specific risks relating to energy costs, external levies, highway maintenance, further increases for the national living wage and contract increases. Otherwise, no inflationary increases have been allowed and service groups will be expected to absorb any price increases that may arise from within the budget allocations made. Actual inflationary increases will require close monitoring and scrutiny as any new budget pressures flow through the budget, and the risk of inflation greater than allowed for is reflected in our general fund reserve.

Other budget assumptions

1.20.12 Key assumptions made in drawing up the revenue budget are contained at section 1.17.2 above. These assumptions have been made on the latest available information and with prudence in mind. Assumptions will be revisited throughout the budget monitoring process.

Potential spending pressures

1.20.13 **Demand needs continue to place financial pressures on children's and adult's care services.** Services are developing strategies to manage needs-led pressures through the council's transformation programme.

1.20.14 The areas of greatest risk from spending pressures have been addressed in the risk assessment of reserves.

Savings

1.20.15 It is assumed that service groups will achieve savings and efficiency targets and have appropriately robust action plans in place to deliver them or can take alternative steps to achieve them and keep within budget. This will require rigorous monitoring during the year by lead members, strategic directors and scrutiny boards.

1.20.16 Regular reports on the progress being made by service groups will be reviewed by Corporate Management Team, Cabinet, and the Overview and Scrutiny Board.

1.20.17 As a final resort, a risk of funding unachieved savings has been reflected in the general fund reserve.

Partnerships

1.20.18 Partnerships with other external public, voluntary and private sector organisations play an increasing role in the council's budget plans. Clearly, funding changes by such organisations can impact the council's financial plans.

1.20.19 Budget plans assume the appropriate provision based upon the most up-to-date information regarding the likely level of commitment to these partnerships and collaborative arrangements. Any variation to the budget provision will need to be managed by the relevant service groups within the allocation provided to them.

1.20.20 Key formal partnerships exist with the following organisations.

1.20.21 Health and social care related partnerships:

a. Integrated Commissioning

In 2019/20, Salford City Council and Salford NHS Clinical Commissioning Group (SCCG), implemented an Integrated Fund for Health and Social Care. This Integrated Fund brings together the majority of those budgets for services currently funded by Children's, Adults, Public Health and Primary Care funding across the two organisations.

The Integrated Fund, is managed in three elements – Children's, Adults and Primary Care. Within each element of the Fund, monies areeither formally pooled (under a formal s75 agreement), aligned or in-view.

To ensure accountability at all levels a joint governance and decision making framework has been agreed and four joint decision making committees oversee the fund:

- An overarching Health and Care Commissioning Board
- A Children's Commissioning Committee
- An Adults Commissioning Committee
- A Primary Care Commissioning Committee

The Integrated Fund covers budgets in excess of £600m.

Contributions into the fund are agreed annually by partners at the start of each financial year and take into account funding changes, efficiency/savings requirements and transformational benefits of integration.

Management of the Fund is supported by a risk share arrangement. A differential risk share operates across the Fund, with the risk (and potential benefit) reflecting each organisations level of investments in each of children's, adults, and primary care.

b. Pooled budgets

[NHS Salford CCG]

Within the integrated commissioning arrangements are pooled budget arrangements under section 75 of the NHS Act 2006. These enable the council and NHS Salford CCG to bring resources together to both commission and provide services jointly, allowing flexible and integrated support and care to be offered.

c. Integrated care organisation (ICO)

[Salford Royal NHS Foundation Trust (SRFT)]

Under a contract for services and a section 75 agreement. The ICO is the provider partner in the integrated care system. Bringing provision into one organisation allows the full integration of a broad range of health and social care services and transformational change envisaged by the partners in the system.

1.20.22 Other partnerships:

d. Salford Community Leisure (SCL)

A not-for-profit trust, providing leisure and cultural services and managing leisure and community centres, libraries and museums owned by the council, for which a budgeted management fee of £3.640m is included in current council budget plans.

e. Urban Vision Partnership Ltd

A joint venture between the council, Capita Symonds and Galliford Try. The partnership provided architectural, engineering, planning, property and highway services which included managing budgets on behalf of the City Council. The contract came to an end in February 2020 with the activities being brought back in house.

f. Shared legal service

[Manchester City Council]

The shared legal service is a service arrangement to provide legal services to Salford and Manchester, hosted by Manchester CC.

g. GMCA / AGMA

[Other Greater Manchester councils]

The Corporate Procurement team work collaboratively with a range of partner organisations on a wide range of projects and contracts, including our approach to Social Value, along with contracts covering areas such as:

- Mobile phones
- Fresh and frozen food for school kitchens
- Staffing services
- Highways and infrastructure services
- Construction and regeneration projects
- ICT services and equipment

The above list is not exhaustive but highlights the range of contract areas that we both lead on, and participate in, across AGMA, with an emphasis on delivering value money, improving service delivery and creating efficiencies.

h. Greater Manchester, Cheshire East and Cheshire West Business Rates Pool 2020/21.

The pooling arrangement started in 2015/16 and was expanded in 2016/17 to include Cheshire West. The pool was formed for the purpose of maximising the retention of locally-generated business rates and to ensure that it further supported the economic regeneration of Greater Manchester, Cheshire East and Cheshire West councils by retaining any levy that might be payable by certain ‘tariff’ authorities to central government.

Capital Programme

1.20.23 Capital receipts in 2020/21 are estimated to be £10m, compared to the current estimate for 2019/20 of £8m. The existing policy is to utilise such receipts to pay down debt.

1.20.24 To maintain continued capital investment in essential service improvement the capital strategy has needed to focus upon the use of unsupported borrowing to replace capital receipts as the prime source of generating the council’s own funds, particularly where match funding is required to complement grant available from government and other sources.

1.20.25 The revenue budget incorporates the provision for capital financing costs on the use of £20.937m of new general unsupported borrowing in funding the 2020/21 capital programme, in addition to the use of £33.804m of unsupported borrowing for invest to save and self-financing proposals.

1.20.26 The revenue budget makes provision for future annual maintenance costs from completed schemes, and any additional running costs from new facilities, together with savings from invest to save schemes, but otherwise assume that there will be no significant revenue implications arising.

Control of Risk

1.20.27 Risk will be controlled through a combination of:

- The detailed tracking of physical and financial progress with the implementation of savings proposals;
- Regular service group level budget monitoring reports to service groups’ senior management and lead members;
- Meetings between the Lead Member for Finance and Support Services and other lead members as appropriate, to agree action plans from issues arising from monthly budget monitoring and other developments not budgeted for;
- Regular corporate budget monitoring reports will be reviewed by Corporate Management Team, Cabinet and Overview and Scrutiny Board. These will identify issues, agree appropriate action and call for special reports on issues of concern;
- Within those reports, a commentary on the progress being made with the implementation of savings proposals by service groups;

1.21 Legal considerations

1.21.1 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, the basic amount of council tax 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.

1.21.2 In exercising its fiduciary duty, the council should be satisfied that the proposals put forward are a prudent use of its 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. The City Mayor has addressed the duty to strike a fair balance between different elements of the community and the interests of council tax payers in developing the proposals in the report.

Duties of the Chief Finance Officer (s151 officer)

1.21.3 The Local Government Finance Act 2003 requires the section 151 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 section 151 officer's report when making decisions about the calculations. The section 151 officer's report in relation to the reasonableness of the estimates and adequacy of the reserves is set out in section 1.18 of this report.

1.21.4 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.

1.21.5 Under Section 114 of the Local Government Finance Act 1988, where it appears to the section 151 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 section 151 officer has a duty to make a report to the council. 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 section 151 officer. Failure to take appropriate action in response to such a report may lead to the intervention of the council's external auditor.

Other Statutory Duties

1.21.6 In considering its budget, the council must also consider its ongoing duties under the Equality Act 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.

1.21.7 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.

1.21.8 In determining the final set of proposals, the City Mayor has had regard to the equality duty. Equality impact assessments will be identified and completed where required by each service group prior to final decisions being made.

Reasonableness

1.21.9 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 any arrangements for their mitigation.

Governance

1.21.10 The budget approval procedure is that the City Mayor, in consultation with the Cabinet, recommends the budget calculations (as set in Appendix 4) to council for approval. If the majority of council does not approve the budget calculations, they are referred back to the City Mayor who should then present alternative budget calculations. The council can only further reject the alternative budget calculations by a two thirds majority. In accordance with section 30(6) of the Local Government Finance Act 1992 the budget must be fixed before 11 March.

Part 2 The housing revenue account (HRA) Revenue budget 2020/21

2.1 Introduction

2.1.1 From 1 April 1990 it became a statutory requirement for local authorities to maintain a separate 'ring-fenced' account, known as the Housing Revenue Account (HRA) which sets out the expenditure and income relating to the provision, supervision and management of council housing, flats and accommodation.

2.1.2 Under the 'ring-fencing' arrangements the council cannot call upon the general fund or council tax related services to subsidise any losses that may be incurred by the HRA.

2.2 Housing priorities

2.2.1 The notable achievements in 2019/20 (incorporating HRA and general fund services) have been:

- Working towards delivering a total of 365 new affordable homes by the end of the financial year.
- 1st Derive properties (20 in total) handed over and let at Charlestown.
- Demolition of High Street Estate, Pendleton following the rehousing of the remaining tenants.
- £7.7M of Homes England funding awarded to deliver 101 council homes.
- Approval and publication of the City's new Housing Strategy ' Our Home Our City 2020-2025'.
- Significant ongoing work regarding resolving fire safety issues at Pendleton which will result in a programme of works.
- £1.368M of Rough Sleeping funding to continue and enhance the existing rough sleeping and rapid rehousing initiatives – 9th highest award nationally and highest in GM.
- Ongoing reduction in rough sleeping from 49 in November 2017 to 10 in November 2019.

2.2.2 The highlighted actions for 20/21 can all be linked to the three priorities identified in the Council's new housing strategy which will help to deliver the Council's housing vision that ' Salford will be a great place to live, work and prosper. Where a range of affordable, good quality and energy efficient homes can be found within well planned and desirable neighbourhoods.'

- To continue to support partners to access funding to deliver more rented and shared ownership homes and to build on our future funded programme of 1,158 affordable homes.
- To carry out the required fire safety works to council-owned homes in Pendleton – including sprinklers.
- To continue to deliver the regeneration of Pendleton through investment in new homes, infrastructure and environmental improvements including 120 market and affordable homes in the Amersham St area.
- To continue to deliver Derive's existing business plan including completion of new homes at Duchy (8 homes), and Montford St (10 homes) and to consider new funding / governance structures for Derive to increase future delivery.
- To commence start on site of 101 council homes and the potential to deliver more housing..

- To implement actions from our newly approved Housing Strategy including reporting progress to Cabinet on a 6 monthly basis.
- To continue to provide a range of homeless services including A bed Every Night (ABEN) and Rough Sleeping and Rapid Rehousing Initiatives.

2.3 Review of 2019/20

2019/20 Approximate Outturn

2.3.1 The original HRA budget for 2019/20 was approved by council on 27 February 2019 and provided for gross expenditure of £15.849m. This expenditure was to be funded by income from rents, service charges and credits relating to the Pendleton PFI scheme, and proceeds from the transfer to Salix Homes.

2.3.2 Appendix 5 shows the variations between the original HRA budget and the anticipated position at the end of the year. As can be seen from the appendix, there are some significant variations in certain areas with the impact being an increase in the contribution to balances from £0.749m to £1.845m.

2.3.3 The increased contribution to balances against plan has been as a result of the following:

- Higher than anticipated rental income.
- Increase in proceeds from the VAT arrangements established on the transfer of housing stock to Salix Homes
- Lower than expected PFI charge linked to inflationary increases.

2.4 The 2020/21 estimate

2.4.1 The 2020/21 estimate reflects gross HRA expenditure of £14.870m including a contribution from balances of £0.387m.

2.4.2 A summary of the HRA budget for 2020/21 is shown in Appendix 5.

Resources

2.4.3 Rental income projections are based upon a 2.7% rent increase (based upon the government's model of inflationary index CPI as at September 2019 plus 1%).

2.4.4 The projected impact is that rent would increase from its current average level of £79.92 per week on a 52 week basis to £82.08. Tenants currently pay rent on a 48 week basis giving a weekly increase of £2.33 from £86.58 to £88.92

2.4.5 The government has reaffirmed that authorities are expected to set reasonable and transparent service charges which reflect the cost of services being provided to tenants. During 2019/20, Pendleton Together have continued to review current service charge levels and have proposed revised charges which address any imbalances between expenditure and income at a local level. Good practice requires a comparison of the costs of service provision with the income generated from service charges with the aim of ensuring that the charging policy is fair and equitable and that general rental income is not subsidising the cost of services to individual tenants.

2.4.6 The average combined impact of changes to rents and service charges per block is as follows.

	Average Service Charge 2019/20 £	Average Service Charge 2020/21 £	Variation £	Variation %
High Rise	22.38	23.32	0.94	4.20
Low Rise	4.25	4.62	0.37	8.71
Sheltered	23.10	24.52	1.42	6.15

2.4.7 Private Finance Initiative (PFI) credits have been included within the HRA on the basis of the agreement finalised during 2013/14. A contribution from the PFI smoothing reserve has also been assumed in line with the contractual commitments associated with the PFI contract.

2.4.8 An on-going income stream is assumed relating to the transfer VAT arrangements. Further work is being undertaken with Salix Homes to determine the value of future receipts.

Expenditure

Central Internal charges

2.4.9 These costs mainly represent transactions between the HRA and the Council's other funds such as the General Fund and the Insurance Fund. Further reductions have been assumed in future years with the intention of managing down the charge in a planned and sustainable manner.

Pendleton PFI

2.4.10 There are two elements of costs relating to the PFI scheme.

- Team costs relating to monitoring of the scheme
- Charges relating to the operational phase of the scheme based upon the contractual agreement.

Bad Debt Provision

2.4.11 The contribution to the bad debt provision reflects the rental income base within the HRA and equates to approximately 3% of rental and service charge income.

HRA Reserves

2.4.12 When the budget was set in February 2019, it was anticipated that the general HRA reserve would be £5.802m at 31/03/2019. Confirmation of the accounting treatment of debt charges resulted in the outturn position on the HRA reserve improving to £6.011m. Taking into account the 2019/20 budget requirement as reported above, it is anticipated that general balances will be £7.856m at 31/03/2020.

	£m
Reserves as at 31 March 2018	**4.697**
Contribution to balances 2018/19	1.314
Reserves as at 31 March 2019	**6.011**
Estimated contribution to balances 2019/20	1.845
Estimated reserves as at 31 March 2020	**7.856**

2.4.13 Reserves held are required to ensure the long term sustainability of the HRA. The long term HRA business plan indicates this current level of reserves is essential for the future operation of the HRA.

2.4.14 Members are reminded of the volatile nature of the HRA and the need, particularly under ringfencing, to maintain reserves to meet unforeseen circumstances which might arise and to minimise the effects of:

- Any risk that costs associate with building new HRA housing may exceed current estimates
- Right to buy applications
- Any possible adverse performance issues
- Budget variations identified during the year
- Trends in void properties
- New legislative requirements
- Environmental and estate investment

2.4.15 In addition to the general reserve three other reserves are currently held for HRA purposes:-

- PFI reserve, the main function of which is to smooth out the timing of PFI contractual costs and credits. This reserve built up at the start of the PFI scheme and will gradually reduce in later years. It is anticipated that the full balance will be used by the end of the scheme.
- Stock transfer reserve. This provision was established to meet costs associated with the stock transfer. The current balance of £0.564m has been maintained to cover potential costs such as insurance claims.
- Major Repairs Allowance. Due to profiling of capital expenditure and funding, an element of the Major Repairs Allowance was carried forward into 2019/20. A review of public sector housing capital costs is being undertaken to determine whether there will be any residual balance to be released into the HRA during 2019/20 or 2020/21.

2.4.16 Given the pressures facing the HRA in future years it is anticipated that any funds released from these reserves will be transferred to the general HRA reserve.

2.5 Recommendation

2.5.1 Being mindful that, under Section 76(3) of the Local Government and Housing Act 1989, on the basis of the best available information, the Housing Revenue Account will not be in deficit, members are asked to approve the proposed HRA budget for 2020/21.

Part 3 Capital strategy 2020/21 to 2022/23 and Capital programme 2020/21

3.1 Purpose and aims

3.1.1 The overarching aim of the council's Capital Strategy is to optimise the availability and effective use of resources to support capital projects. The Capital Strategy is intended to benefit the council, its partners, Salford residents and businesses by providing a framework for optimising and managing the capital resources available to the Council, develop its overall asset infrastructure and support the achievement of its priority outcomes.

3.1.2 The council has a number of strategies and plans that influence the Capital Strategy. Many of these include assessments of the value, sufficiency and suitability of assets utilised by the council in delivering its services. They also include indications of future capital investment that the council will need to make to achieve their stated objectives and provide information around bids and submissions for resources to various external sources of finance.

3.1.3 The main outcome of the Capital Strategy is to ensure capital investment and associated activities provide value for money and are in line with the Council's priority outcomes. This strategy will develop and maintain firm foundations and clear guidelines and objectives for the council's capital activities.

3.2 Objectives

3.2.1 The key objectives of the Capital Strategy are as follows:-

- Facilitate the allocation of available capital resources in line with the Council policies, strategies and plans;
- Direct resources towards high priority areas to support the Council's policies, strategies and plans;
- Enable the identification and optimisation of all sources of capital funding and ensure its effective utilisation;
- Promote the development of capital projects that demonstrate value for money, generate efficiencies and deliver improved performance, planned outputs and outcomes;
- Enable the production of deliverable three-year rolling programme;
- Ensure clear and understandable links between the capital programme and the revenue budget in relation to financing costs and the running costs associated with capital projects;
- Ensure that the approval and subsequent funding of capital projects has regard to the Council's sound financial standing, including the maintenance of sufficient reserves and balances, and sustainable and affordable levels of debt; and
- Ensure that property and other tangible asset management issues are fully reflected in the Council's policies, strategies and plans.

3.3 Key Principles

3.3.1 There are a number of key guiding principles that underpin the application and ongoing development of the Capital Strategy:-

- **Accountability** – to be promoted and demonstrated by Officers and Members throughout the capital planning processes, including the use of effective monitoring and reporting mechanisms.
- **Affordability –** future revenue consequences of capital projects, including the cost of capital financing will be taken in to account in determining the council's revenue budget

- **Prudence** – the council will deliver a capital programme that is financially affordable, prudent and sustainable.
- **Efficiency** – the Capital Strategy will support ways to minimise costs and generate efficiencies, particularly through invest to save initiatives, taking account of local and national targets and regional strategies and initiatives.
- **Improvement** – the Capital Strategy will promote and support achievement of improvements in service delivery and the use of resources
- **Priorities** – the Capital Strategy will enable resources to be directed into council priorities arising from the great eight
- **Sustainability** – the Capital Strategy is a key component of the council's drive to ensure all its resources are utilised and managed in a sustainable manner.
- Provision for the repayment of debt over the life of the underlying debt as set out in the Minimum Revenue Provision (MRP) policy in the Treasury Management Strategy.
- **Value for Money** – projects will be effectively appraised to ensure they promote, achieve and demonstrate value for money in the provision of services and the use of resources.
- **Realistic and Deliverable** – capital investment projects must be developed with realistic timescales and budgets.
- **Risk Management** – in accordance with the Council's risk management strategy, risk assessment and management principles and activities will be embedded throughout all aspects of the Capital Strategy and programming processes.

3.4 Capital expenditure

3.4.1 An understanding of what constitutes capital expenditure is fundamental to realising the benefits that an authority can obtain under the prudential framework. Unless expenditure qualifies as capital it will normally fall outside the scope of the framework and be charged to revenue in the period that expenditure is incurred. If expenditure meets the definition of capital, there may be opportunities to finance the outlay from capital receipts or by spreading the cost over future years' revenue.

3.4.2 There are three ways in which expenditure can qualify as capital under the Prudential framework:

- The expenditure results in the acquisition, construction or enhancement of fixed assets (tangible and intangible) in accordance with 'proper practices'.
- The expenditure meets one of the definitions specified in regulations made under the 2003 Local Government Act.
- The Secretary of State makes a direction that the expenditure can be treated as capital expenditure.

3.4.3 The capital strategy defines and outlines the Council's approach to capital investment and is fundamental to the financial planning process. It aims to ensure that:-

- Capital expenditure contributes to the achievement of the "Great Eight" priorities within the strategic plan
- An affordable and sustainable capital programme is delivered
- Use of resources and value for money is maximised
- A clear framework for making capital expenditure is provided
- A corporate approach to generating capital resources is established

- Access to sufficient long term assets to provide services are acquired and retained
- Borrowing to fund invest to save or self-financing proposals is also a realistic proposition, provided a business case is made that savings through efficiency or income can meet the capital financing costs of the borrowing.

3.5 Development Capital Investment Projects

3.5.1 There are a number of activities and mechanisms that may instigate capital investment proposals, key elements include:

- Specific allocation of capital resources – the council receives notification from government departments and other funding bodies of capital grant awards and contributions, which are allocated for specific purposes;
- Submission of funding bids – the council is invited to submit bids and plans for capital funding available through Government Departments and other funding bodies, usually to address specific aims and objectives;

3.5.2 Individual capital investment projects are identified that will deliver specific priority outcomes within a given timeframe. Often, there is no specific funding stream available for these projects.

3.5.3 Proposed capital investment projects must clearly demonstrate how the investment will address specific needs or achieve certain outcomes, including how they will support specific council priorities (Salford's Great Eight), strategies and plans. Key steps in developing capital investment projects include:

- **Project Appraisal** – proposed projects will need to demonstrate that they are the best option available to deliver the expected outcomes, provide value for money and assess the impact of risks associated with cost assumptions and funding sources. This includes the affordability within the revenue budget of any direct additional revenue implications of implementing the capital project. It also includes the affordability within the revenue budget over the long term of the debt repayment and interest costs associated with any prudential borrowing undertaken to fund capital projects.
- **Project Management** – project management is essential in delivering effective capital projects.
- **Capital Programme Control and Monitoring** – an essential element of overall project management requires that regular reports and updates are produced to provide information on the progress and outcomes of capital projects to ensure they are being delivered effectively.
- **Post Project Evaluation** – all major capital projects should be subject to a final evaluation, setting out what it delivered against what was planned.
- **Strategy Review** – the Capital Strategy and Capital Programme will be reviewed and updated annually.

3.6 Funding Streams

3.6.1 The capital programme is funded from a mix of sources including:-

- Prudential borrowing – the introduction of the Prudential Code in 2004 allowed the council to undertake unsupported borrowing itself. This borrowing is subject to the requirements of the Prudential Code for Capital Expenditure for Local Authorities. The Council must ensure that unsupported borrowing is affordable, prudent and cost effective. This funding can also be used to front fund development to stimulate growth. This has provided the Council with the flexibility to raise capital funding as demand and business need have dictated. This form of borrowing has revenue implications for the council in the form of financing costs. It will be necessary to continue to use unsupported borrowing to provide the necessary resource in 2020/21 to deliver a fully funded capital programme that delivers the desired priority outcomes. Unsupported borrowing continues to be the primary source of the council generating its own resources towards funding capital investment, with capital receipts being used to repay debt as and when asset disposals can be realised and give fair value.
- External grants – the largest form of capital funding comes through as external grant allocations from central government departments
- External contributions (including Section 106) – elements of the capital programme are funded by contributions from private sector developers and partners. Growth in Salford has resulted in Section 106 contributions from developers accounting for significant elements of funding of the capital programme in recent years.
- Revenue funding – the council can use resources to fund capital projects on a direct basis. However, the impact of austerity on the Council's revenue budget has reduced options in this area and therefore the preference is for invest to save options to be adopted where feasible.
- Capital receipts – the council is able to generate capital receipts through the sale of surplus assets such as land and buildings. The Council seeks to maximise the level of these resources and are applied in the first instance to repay debt when they are received.

3.7 Governance arrangements

3.7.1 The Authority's constitution and financial regulations govern the capital programme as set out below:

- All capital expenditure must be carried out in accordance with the financial regulations and the Council's Constitution.
- The expenditure must comply with the statutory definition of capital purposes as defined within this document and wider financial standards.
- The Capital Programme approved by Full Council as part of the Council's annual budget report sets the capital funding availability for the Council, the prioritisation of funding and the schemes receiving entry into the Capital Programme.
- All schemes are formally approved into the capital programme by following a process as set out in the financial regulations.
- Officers are not authorised to commit expenditure without prior formal approval as set out in the financial regulations.
- Each scheme must be under the control of a responsible person/project manager.
- Any agreements (such as section 106) which contractually commit to procure capital schemes will need to follow the same approval process as other capital expenditure before it can be formally incorporated into the capital programme.

- The prudential system requires the chief finance officer to recommend prudential borrowing indicators to the council, the determination of the capital programme needs to be aligned with the revenue budget by considering and approving them at the same council meeting
- That an absolute ceiling is placed upon the total value of general unsupported borrowing in use in any financial year where it has been used to replace capital receipts, and that annual ceiling should be £20.937m in 2020/21 with a commitment to further reduce in future years (Note: unsupported borrowing used on an invest to save or self-financing basis would be treated as long-term borrowing funded from revenue savings or income and therefore be excluded from this ceiling)

3.7.2 The main internal bodies that are responsible for the governance and management of the capital programme are the Full Council and Budget Strategy Group.

3.8 Knowledge and Skills

3.8.1 The Council utilises the knowledge and skills of its internal officers when considering capital investment decisions and where necessary it also relies on the expert knowledge of specialist external advisors.

3.8.2 The Council employs professionally qualified legal, finance and property officers who are able to offer advice and guidance when considering any capital investment decisions.

Finance

3.8.3 Finance staff are professionally qualified to advise the Council on all financial aspects of capital decisions. They also have the necessary experience of how the Council works having been in post for a number of years. Finance staff also undertake Continuous Professional Development and the Council is an accredited body of the CIPFA (Chartered Institute of Public Finance Accountancy) CPD scheme. They maintain knowledge and skills through regular technical updates from appropriate bodies.

Property

3.8.4 Urban Vision support the Council on all property matters, with their property team made up of a number of Chartered Surveyors. They are all members of the Royal Institution of Chartered Surveyors (RICS) and comply with the RICS's rules in relation to Continuing Professional Development. The team have extensive property knowledge and have worked in partnership with the Council for a number of years.

Legal

3.8.5 Legal Staff are professionally qualified as either solicitors or legal executives and are regulated by their respective professional bodies (Solicitors Regulation Body/Institute of Legal Executives). The staff undertake Continuing Professional Development and their rules of conduct require that they have an appropriate level of skill and expertise to deal with the particular matter with which they are dealing. All staff are aware of the operational structure of the Council. They maintain knowledge and skills through regular technical updates from appropriate bodies.

External Advice

3.8.6 The Council uses external advisors where necessary in order to complement the knowledge its own officers hold.

3.9 Review of 2019/20

3.9.1 A capital programme of £105.682m for 2019/20 was originally approved by council last February, funded by government grant of £34.166m, unsupported borrowing of £30.919m, invest to save of £38.608m and other contributions of £1.989m.

3.9.2 Variations to the original programme occurred when previously estimated government grant funding was confirmed and unspent allocations were rolled forward from 2018/19 to 2019/20. All programme adjustments have been reported and approved as part of the monthly budget monitoring process.

3.9.3 Based on the December 2019 capital monitoring, outturn capital expenditure is expected to be £98.720m, funded by government grant of £18.903m, unsupported borrowing of £76.924m and other contributions of £2.893m. A further £44.499m of the programme has been re-profiled from the 2019/20 programme into 2020/21 of which £28.633m is funded from unsupported borrowing and £15.866m from grant/other.

3.10 Capital expenditure proposals 2020/21

3.10.1 On the basis of the council's priorities for capital investment, and having regard to the estimate of available resources, a capital programme amounting to £115.789m is proposed, as summarised in the table below:

	Sources of Funding			
	Unsupported borrowing			
	Self-financing	General	Grant/ other	Total
	£m	£m	£m	£m
Place	31.937	19.937	61.048	112.922
People	-	1.000	-	1.000
Service reform	1.867	-	-	1.867
Total Requirement	**33.804**	**20.937**	**61.048**	**115.789**

A schedule of the schemes contained in the proposed capital programme is included at *Appendix 6.*

3.10.2 All new capital proposals have been subjected to scrutiny by Budget Strategy Group and Mayoral Team.

3.10.3 Approval to the proposed capital programme at this stage should therefore be seen as giving consent to an initial programme of those schemes that are at present contractually uncommitted proceeding to design and tender stage. Approval to commit capital expenditure on individual projects will continue to be referred to Procurement Board, as at present, to ensure that projects will only be committed if funding is available or certain to become available.

3.10.4 It should be noted at this stage that the capital programme can be subject to change as the year unfolds, with new schemes being introduced as funding sources are confirmed, schemes being removed if the expected funding proves not to be available and expenditure forecasts changing.

3.10.5 The capital programme will be continuously reviewed during 2020/21 to reflect any significant variations that may arise, any new priorities that may emerge and the impact of 2019/20 capital outturn.

3.10.6 The capital programme of £115.789m represents a £10.107m increase from the 2019/20 programme. A programme of this level will enable the following capital priorities to be delivered in 2020/21:

Regeneration

3.10.7 Growth is a key priority for the city, of which regeneration is at the heart of the council's priorities and a major driver for delivering the council's economic growth agenda. The ability to influence and achieve economic growth in the city defines the council's priorities for capital investment.

3.10.8 In the next 5 years, based on the current development pipeline, £4bn private sector investment into Salford is expected with 18,000 new houses and accompanying employment floor space being developed. Salford's exceptional level of growth is forecast to continue at more or less the equivalent rate of the past decade with:

- An extra 20,000 residents living in the city
- Over £2bn GVA growth,
- An additional 15,000 jobs
- Increases in council tax and business rate revenue over the next decade

3.10.9 The Quays, the Western Gateway and Salford City Centre, are the focus for investment, economic growth and job creation in the city, poised to deliver 40,000 new homes and 40,000 new jobs by 2040.

3.10.10 The council is also working with a number of partners to deliver major housing change across the city, notably in Pendleton, Ordsall, Lower Broughton, Seedley and Langworthy and Charlestown/ Kersal.

3.10.11 The presence of many major developers, house builders and financial institutions investing within the city and working in partnership with the council creates the opportunity for the council to integrate resources and programmes effectively and to gear the use of the council's own resources to maximise this investment potential. Careful targeting of the council's resources can stimulate other investment to promote the regeneration and economic growth of the city and better services.

3.10.12 There are a significant number of projects underway or planned that will have major long term impact on the city, creating new employment, training opportunities and industries of the future. Current developments include MediaCityUK, Port Salford, New Bailey, Middlewood, Greengate and RHS Bridgewater set to open on the 30 July sitting alongside new development opportunities such as the Salford Crescent and University Masterplan.

3.10.13 The Greater Manchester Strategy and the devolution agenda bring new opportunities for investment; funds such as the Greater Manchester Investment Fund (GMIF), Northern Powerhouse Investment Fund and Housing Investment Fund will support business, investment and major infrastructure projects, alongside government funding opportunities such as Housing Infrastructure Funding.

Transport and Infrastructure

3.10.14 Significant and continued economic growth is creating significant transport and infrastructure challenges for Salford, but by meeting these challenges head on with commitment and creativity, transport and infrastructure can be an engine for economic growth whilst helping us achieve carbon reduction targets and improve the quality of life for everyone in Salford.

3.10.15 The Greater Manchester Transport Strategy 2040 sets out an Infrastructure Programme that will, over the next decade, continue to underpin the overall Regeneration programme providing the critical infrastructure to enable major regeneration programmes to proceed and ensuring that we have a transport network that is fit for purpose, reliable, cost effective and safe for our residents and businesses alike. The majority of capital investment needed will come from sources outside the Council including Department for Transport and other government funding (Including Network Rail and Highways England) matched with private sector investment driven by major regeneration schemes.

3.10.16 Significant government transport and infrastructure funding will be devolved to Greater Manchester and we are working closely with TfGM, other districts, the GM LEP and other partners (network Rail and Highways Agency) to ensure that our priorities are understood, embedded in the wider GM programme and that our funding needs are met.

Schools

3.10.17 The Education Asset Management Plan (AMP) sets out the need to provide high quality education in accommodation that stimulates a learning environment for school pupils and members of the community.

3.10.18 The council's capital programme for schools is largely driven by government funding initiatives to address increasing demand for primary pupil places within the city and capital maintenance grant to improve primary school conditions.

Health and Social Care

3.10.19 The small amount of capital funding received from government grants is applied through the capital strategy with the aim of improving life chances and promoting the independence of people in Salford. There is a whole system approach towards health and social care in partnership with users and carers, Clinical Commissioning Group, NHS Trusts, the voluntary sector, independent providers and others to shape services across all areas.

Environment

3.10.20 The capital strategy is targeted at supporting the regeneration of the city, promoting health and wellbeing through the Parks for People strategy, addressing national targets with regards to waste management and recycling, meeting health and safety requirements in cemeteries and crematoria, and providing investment in the sustainability of key heritage, community assets and services.

Property

3.10.21 The capital strategy aims to provide office accommodation and other facilities that are fit for purpose in supporting services to meet their plans and priorities, focussing currently on core operating sites, supported by other satellite offices. The office accommodation strategy also embraces the property requirements of new ways of working, opportunities to rationalise the estate, share accommodation with partners together with the identification of surplus assets.

3.11 Capital expenditure proposals 2021-2023

3.11.1 Capital expenditure beyond for 2021/22 and 2022/23 has been identified by services, but no commitment at this stage has been given to these schemes. The following table summarises the indicative amounts required, totalled by internal and external sources of finance:

	2021/22		2022/23		Total
	Internal	External	Internal	External	
	£m	£m	£m	£m	£m
Total Requirement	38.516	39.753	38.463	13.824	130.556

3.12 Underlying assumptions

3.12.1 A total of £54.741m will be borrowed using unsupported borrowing powers.

- £33.804m will be used on invest to save basis.
- The remaining £20.937m will be used in general support and the capital financing charges on that unsupported borrowing can be met from the revenue budget. Appropriate provision has been made in the General Fund revenue budget to fund the unsupported borrowing to be used in funding of the capital programme.

3.12.2 Usable capital receipts estimated at £10m from asset disposals will be applied in the first instance to the repayment of historic unsupported borrowing accumulated from previous years in respect of General Fund capital expenditure

3.13 Risks

The key risks and the way in which they will be mitigated are set out below:-

3.13.1 Any over-commitment of resources is not managed within the resources available. The management of individual service allocations allows for the tendency of capital programmes to under spend. Services are permitted to set over-programming levels to reflect this in the expectation that the outturn expenditure will be managed within the resource made available. This approach runs the risk of expenditure over-shooting the resources available, but limits are applied to the over-programming that reflects the level of contractually committed expenditure and provision for new starts.

3.13.2 Unsupported borrowing will be over-committed and become unaffordable to the revenue budget. Parameters have been established within which the use of unsupported borrowing as replacement for capital receipts will be managed so as to be affordable to the revenue budgets of both the General Fund and Housing Revenue Account.

3.13.3 Government grants not being realised. Capital projects which are reliant on grant support will not be commissioned unless a grant approval has been received or is confidently expected. All proposed capital expenditure will be subject to the approval of the Procurement Board, who must be satisfied with the certainty of grant support.

3.13.4 Cost overruns. Expenditure on capital schemes is monitored regularly and project managers are required to report any cost increase to the City Mayor. Where possible, cost overruns will be managed within resource allocations to services. Where an increase in resource is required this will be considered by the City Mayor.

Part 4 Prudential indicators 2020/21 to 2022/23

4.1 Background

4.1.1 The Local Government Act 2003 requires each local authority to determine its own affordable borrowing limits and to have regard to specified codes of practice when determining these limits.

4.1.2 Regulations issued pursuant to the Act endorsed a code of practice produced by CIPFA (the Prudential Code for Capital Finance) which a local authority should follow in determining its borrowing limits.

4.1.3 This report therefore sets out the limits for 2020/21, and *indicative* values over the medium term, to establish the affordability of the council's capital investment and treasury management plans. More detail is set out in the Treasury Management Strategy, Annual Investment Strategy and Minimum Revenue Provision Policy Statement which is also being presented to council. Limits are continuously monitored by the Chief Finance Officer.

4.2 Prudential limits 2020/21 to 2022/23

Prudential Indicators	2018/19 Actual	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate
	£M	£M	£M	£M	£M
Capital Expenditure					
Non-HRA	84.5	98.7	160.3	78.3	52.3
HRA	0.0	0.0	0.0	0.0	0.0
Total	84.5	98.7	160.3	78.3	52.3
Capital financing requirement (CFR)					
Non-HRA	642.1	685.7	886.7	881.0	874.2
HRA	1.5	1.5	1.5	1.5	1.5
Total	643.6	687.2	888.2	882.5	875.7

The capital financing requirement is a measurement of the council's underlying need to borrow to support its capital programme.

4.2.1 Financing costs include the principal and interest costs of servicing debt.

4.2.2 The operational boundary limit for external debt reflects a prudent, but not worst case, scenario without the additional headroom included within the authorised limit. It is possible that the limit will be breached for specific, operational reasons, but any such breach would be reported to the Lead Member for Finance and Support Services at the first opportunity.

Treasury Indicators	2018/19 Actual	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate
Operational boundary for external debt	£M	£M	£M	£M	£M
Borrowing	558.7	621.8	626.9	630.8	614.7
Other long term liabilities	215.2	208.8	359.8	350.2	321.0
Total	774.0	830.6	986.7	981.0	935.7

4.2.3 The authorised limit represents an absolute boundary that should meet all possible eventualities that may arise in the council's treasury management activities. Authority is delegated to the Chief Finance Officer as Section 151 Officer to effect movement between the separately agreed limits for borrowing and other long term liabilities, in urgent circumstances to exceed these limits without council approval, and to report any such changes to the council at its next meeting following the change. (NB. Such a course of action, if deemed necessary, is permitted within the CIPFA code).

Treasury Indicators	2018/19	2019/20	2020/21	2021/22	2022/23
	Actual	Estimate	Estimate	Estimate	Estimate
Authorised limit for external debt	£M	£M	£M	£M	£M
Borrowing	680.6	698.8	685.4	650.8	614.7
Other long term liabilities	245.2	238.8	389.8	380.2	331.0
Total	925.9	937.5	1,075.2	1,031.0	945.7

4.2.4 It has not been necessary to invoke this delegation since the inception of prudential borrowing on 1st April 2004 and, accordingly, there have been no breaches of these limits in 2019/20.

4.2.5 Investment treasury indicator and limit - total principal funds invested for greater than 365 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

	2019/20	**2020/21**	**2021/22**	**2022/23**	**Estimated position at year end**
Upper Limit for Investments beyond 365 days	£40m	£40m	£40m	£40m	£0

4.2.6 Maturity structure of borrowing - These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

Treasury Indicators				
				Estimated position at year end
	All Years			
Maturity structure for fixed rate borrowing	**Upper Limit**	**Lower Limit**	%	£M
Under 12 months	75%	0%	32%	268.1
12 and within 24 months	50%	0%	8%	65.2
24 months and within 5 years	50%	0%	13%	110.9
5 years and within 10 years	50%	0%	19%	157.4
10 years and above	100%	25%	28%	236.5
Maturity structure for variable rate borrowing	**Upper Limit**	**Lower Limit**	%	£M
Under 12 months	10%	0%	0%	0.0
12 and within 24 months	0%	0%	0%	0.0
24 months and within 5 years	0%	0%	0%	0.0
5 years and within 10 years	0%	0%	0%	0.0
10 years and above	0%	0%	0%	0.0

Part 5 Summary of recommendations

5.1.1 Members are requested to:

1. Note and support the risk assessment of reserves and assumptions made in preparing the revenue budget for 2020/21, and accordingly approve a revenue budget of **£217.015m**

2. Approve in accordance with the formal resolution set out in ***Appendix 4***:

   a) a council tax requirement in accordance with section 31A of the Local Government Finance Act 1992 (LGFA 1992)

   b) a basic amount of council tax and an amount for each valuation band in accordance with section 31B and 36 of the LGFA 1992

   c) an amount of council tax for each valuation band in accordance with section 30 of the LGFA 1992

   d) an empty property premium in accordance with the Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018

3. Approve the HRA budget for 2020/21 as set out in Part 2

4. Request that each Lead Member and Strategic Director monitors rigorously the implementation of the accepted savings and expenditure against budget to ensure that overall net expenditure is contained within budget, and for the Lead Member for Finance and Support Services and the Chief Finance Officer (s151 officer) to report to Overview and Scrutiny Board on progress with the budget on a corporate basis

5. Approve a capital programme of £115.789m for 2020/21 and the proposed sources of funding as set out in Part 3 and detailed in Appendix 6, and require all capital proposals to be referred to the Procurement Board for approval, supported by detailed funding arrangements, prior to contractual commitments being made.

6. Approve the treasury management prudential indicators for 2020/21 to 2022/23 as set out in Part 4.

7. Approve the delegation of authority to the Chief Finance Officer (S151 Officer) after consultation with Lead Member for Finance and Support Services and the City Mayor, to make any necessary technical adjustments to the figures upon receipt of any further details associated to the final Local Government Finance Settlement.

Paul Dennett

City Mayor

Appendices

Appendices

Re: part 1 – The revenue budget and council tax levy 2020/21

1. 2019/20 financial performance
2. Risk assessment of general reserves
3. 2020/21 revenue budget
4. Formal resolutions – 2020/21 council tax

Re: part 2 – Housing Revenue Account (HRA) revenue budget 2020/21

5. Summary of HRA forecast outturn 2019/20 and budget 2020/21

Re: part 3 –Capital programme 2020/21

6. Capital programme 2020/21 – proposed programme

Appendix 1 2019/20 financial performance

2019/20 service group allocations and variations from the approved budget			
Services	Revised estimate 2019/20 £'000	Provisional outturn 2019/20 £'000	Variation £'000
People (Children's) - GF	86,975	91,856	4,881
People (Adults)	63,813	64,210	397
Place	46,354	46,487	133
Service Reform	13,564	13,343	-221
Public Health	19,275	18,999	-276
Precepts and Charges	38,768	38,768	0
Capital Financing	36,081	34,436	-1,645
Net cost of services	304,830	308,099	3,269
Central costs:			
Reversal of depreciation charges	-36,934	-36,934	0
Contribution to / (from) specific reserves, funds and provisions	-931	-931	0
Use of PFI, new homes bonus and other specific non ring fenced grants	-46,624	-46,624	0
Dividend income	-5,530	-6,429	-899
Pay/price inflation/efficiencies and centrally held grants	8,482	6,307	-2,175
Other non distributed costs including prior year pension costs and notional financing adjustments	2,159	1,964	-195
Central costs total	-79,378	-82,647	-3,269
Public Health grant funded from BRRS	-20,211	-20,211	0
	205,241	205,241	0
Transfer to / (from) General Fund reserves	0	0	0
Net expenditure	**205,241**	**205,241**	**0**

The revised estimate is the council's budget forecast at November 2019. It is an updated version of the budget originally approved for 2019/20, adjusted for the latest information at the time. Revisions include allocations from the provision for inflation and contingencies for items which were provided for in the original budget but not allocated to service groups at that time.

The variation between the revised estimate and the forecast outturn relate to items identified in the budget monitoring exercise and detailed in the following table.

Variation from the approved budget to provisional outturn budget		
	£'000	£'000
Approved budget 2019/20		205,241
Major service variations		
People (Children's) - GF		
Youth Service / Localities	364	
Integrated Fund (Childrens) - Risk Share		
Looked After Children	6,480	
Child in Need	504	
Complex Needs - SEN	559	
Other	-81	
Risk share adjustment	-2,945	
		4,881
People (Adults)		
Integrated Fund (Adults) - Risk Share	397	
		397
Place		
Planning and Transport Income	-940	
Transformation	793	
Operational and Commercial Services	421	
Citywide	-481	
Culture and Leisure	136	
Regeneration	68	
Property	149	
Other	-13	
		133
Service Reform		
Service Reform	-221	
		-221
Public Health		
Public Health	-276	
		-276
Precepts and Charges		
	0	
		0
Capital Financing		
Minimum Revenue Provision	-624	
Public Works Loan Board borrowing	-547	
Temporary borrowing	-474	
		-1,645
Variation in service costs		**3,269**
Central costs		
Additional airport dividend	-899	
Surplus central provision for pay and prices	-384	
Centrally held grants	-1,791	
Surplus provision for pension increase charges	-195	
		-3,269
Outturn budget 2019/20		**205,241**

Forecast general fund reserves are shown below

General fund reserves	
	£m
Balance as at 31 March 2019	13.2
Add:	
Planned call on reserves in 19/20	0.0
Estimated balance as at 31 March 2020	**13.2**

Appendix 2 - Risk assessment of general reserves

2019/20 Provision		Risk assessment of reserves		2020/21 Reserves requirement	
Minimum £000s	**Desirable £000s**	**Area of Expenditure**	**Explanation of Risk/Justification for Reserves**	**Minimum £000s**	**Desirable £000s**
-	**-**	**Pay**	The joint trade union side (Unison, GMB and Unite) , have claimed a real living wage of £10 per hour to be introduced for NJC scp 1 and a 10% increase on all other NJC/GLPC pay points. An extra days paid leave and a two hour reduction to the working week. The unions have rejected an offer of a 2% rise. The budget provides for a prudent increase. Assessment : Degree of Risk/Reserve Needed : Low £1.130m, Medium £3.955m, High £7.909m Assessment of Likelihood of Risk Occurring : Low	**1,130**	**3,955**
530	**795**	**Prices**	The budget assumes that price inflation can be managed by service groups within a zero cash-limited increase or specific inflation allowances. It is acknowledged that the level of recent and expected future savings requirements, together with the policy of no increases for general inflation makes it increasingly difficult for services to absorb price inflation pressures. Assessment : Degree of Risk/Reserve Needed : Low £0.250m, Medium £0.500, High £0.750 Assessment of Likelihood of Risk Occurring : Medium	**500**	**750**
750	**1,000**	**Repairs and maintenance**	The requirement to make previous savings relating to our property portfolio while at the same time absorbing price inflation and applying restrictions on discretionary spending areas has resulted in a substantial reduction in the level of repairs and maintenance in recent years. There is an increasing risk that the condition of our assets will deteriorate resulting in an increased cost to rectify or to address health and safety factors. Assessment : Degree of Risk/Reserve Needed : Low £0.500m, Medium £0.750m, High £1.000m Assessment of Likelihood of Risk Occurring : Medium	**750**	**1,000**

1,000	**2,000**	**Adult Social Care (Integrated health and care pooled budget)**	Experience demonstrates that key areas of service provision to adults and the elderly can come under pressure from increasing demand. The council and its integrated care system partners have successfully worked over many years to rethink and redesign services to make support to our residents more economic, efficient and effective and person-centred. Nevertheless, there continues to be pressure on care for adults with learning difficulties as a consequence of longer life expectancy and through children in care with such difficulties transferring to the adult service. In addition, dementia and an ageing population lead to pressures in older people's services. The council, in alliance with its NHS partners, manages all these pressures through an integrated care system encompassing pooled budget and other partnership arrangements. The reserve makes a financial provision for the timing difference between investment in service transformation and the savings it will ultimately deliver. Assessment : Degree of Risk/Reserve Needed : Low £0.500m, Medium £1.000m, High £2.000m Assessment of Likelihood of Risk Occurring : Medium	**1,000**	**2,000**
250	**350**	**Service income budgets**	The service budgets assume a level of income generation, which could be affected by wider economic factors. Assessment : Degree of Risk/Reserve Needed : Low £0.150m, Medium £0.250m, High £0.350m Assessment of Likelihood of Risk Occurring : Medium		
2,000	**2,500**	**Looked-after children (Integrated health and care pooled budget)**	In recent years the council has strenghtened its budget provision for looked after children services however cost pressures remain reflecting the national trend. Whilst we have a strategy for managing existing pressures there is a risk that demand will continue to increase. Assessment : Degree of Risk/Reserve Needed : Low £1.000m, Medium £1.500m, High £2.000m Assessment of Likelihood of Risk Occurring : Medium	**1,500**	**2,000**

200	**400**	**Children – SEN Transport**	There is a continual risk of demand pressures from a potential increase in the number of special needs children requiring transport provision. Improved controls reduce the risks but there still remains a chance that the budget may be exceeded. Assessment : Degree of Risk/Reserve Needed : Low £0m, Medium £0.200m, High £0.400m Assessment of Likelihood of Risk Occurring : Medium	**200**	**400**
375	**500**	**Waste Levy / recycling**	This area has seen significant investment in recent years linked to a substantial increase in recycling and a consequential reduction in the waste levy. This investment has delivered the required outcomes and substantial savings in recent years. However, the impact of these initiatives is still reliant on our residents continuing to buy in to the proposals and increasing their recycling activities. Our waste management costs are linked to other Greater Manchester authorities through an inter authority agreement. Other districts improved performance can have a significant adverse impact on the waste levy. The budget includes a provision to cover these increases but there is a potential risk that actual recycling performance falls short of increasingly stretching targets. Recent renewal of the inter authority agreement reduces the severity of the risk this year. Assessment : Degree of Risk/Reserve Needed : Low £0.000m, Medium £0.000m, High £0.000m Assessment of Likelihood of Risk Occurring : Medium	**0**	**0**
1,000	**1,200**	**Government funding**	This risk relates to a wholesale review of local government funding for 2021/22 and thereafter. The outcome of current consultations is uncertain, but indications are that the council may be detrimentally affected by a number of factors, including: Universal Credit, the lessening of the impact of deprivation as a formula factor, a review of New Homes Bonus; revision of the business rates support scheme and the likely ending of the current, advantageous 100% pilot scheme. This risk is usually recognised in advance in our budget projections but the degree of uncertainty is greater than normal in 2021/22. Assessment : Degree of Risk/Reserve Needed : Low £2.000m, Medium £4.000m, High £6.000m Assessment of Likelihood of Risk Occurring : Medium	**4,000**	**6,000**

900	**1,200**	**Capital Financing**	The level of the council's temporary borrowing and its plans to increase borrowing means that we are particularly vulnerable to interest rate changes. This risk is reflected in our financial projections, but additional uncertainty is arising in consequence to potential destabilisation as a result of Brexit. The risk control measures built into our treasury management strategy mitigate these risks, however the medium term forecast is for interest rates to increase and therefore the risk is increasing. The assessment is based on the impacts of marginal changes in interest rates. Assessment : Degree of Risk/Reserve Needed : Low £0.600m, Medium £0.900m, High £1200m Assessment of Likelihood of Risk Occurring : Medium	**900**	**1,200**
1,200	**2,500**	**Business Rates Retention Scheme (BRRS)**	The council has seen an increase in both the cost of appeals and aggressive business rate avoidance tactics. There is an emerging risk around categories of the relief status of certain categories of assets. The assessment also includes a provision for risks to businesses relating to Brexit. Assessment : Degree of Risk/Reserve Needed : Low £0.600m, Medium £1.200m, High £2.500m Assessment of Likelihood of Risk Occurring : Medium	**1,200**	**2,500**
3,500	**4,900**	**Non-achievement of savings**	The risk assessment continues to recognise the pressure put on council services by the cumulative effects of savings proposals. Assessment: Degree of Risk/Reserve Needed : Low £0.500m, Medium £0.750m, High £1.000m Assessment of Likelihood of Risk Occurring : Low	**500**	**750**

1,000	**1,500**	**Other unforeseen expenditure or income shortfall**	There is a risk that unexpected events may arise which require expenditure to be incurred or income to be foregone, that have not been budgeted for. In this regard, CIPFA recommend that sufficient contingency is kept to meet emergencies that are not covered by other means such as insurance, e.g. the extreme wet weather conditions experienced in our area in December 2015. The risk assessment is based broadly on 0.5% of the net revenue budget for cover for low risk, 0.75% for medium risk and 1% for high risk. The overall risk has been reassessed to low to reflect the recognition of risks in other categories above. Assessment : Degree of Risk/Reserve Needed: Low £1.000m, Medium £1.500m, High £2.000m Assessment of Likelihood of Risk Occurring : Low	**1,000**	**1,500**
12,705	**18,845**	**Total**		**12,680**	**22,055**

Appendix 3 2020/21 revenue budget

2020/21 service group allocations and variations from the approved budget			
Services	Revised estimate 2019/20	Revised estimate 2020/21	Variation
	£'000	£'000	£'000
People (Children's) - GF	86,975	92,701	5,726
People (Adults)	63,813	64,114	301
Place	46,354	46,095	-259
Service Reform	13,564	14,005	441
Public Health	19,275	18,375	-900
Precepts and Charges	38,768	38,763	-5
Capital Financing	36,081	37,081	1,000
Net cost of services	304,830	311,134	6,304
Central costs:			
Reversal of depreciation charges	-36,934	-36,934	0
Contribution to / (from) specific reserves, funds and provisions	-931	10,439	11,370
Use of new homes bonus and other specific non ring fenced grants	-46,624	-54,933	-8,309
Dividend income	-5,530	-5,530	0
Unallocated pay/price inflation/efficiencies and centrally held grants	8,482	10,891	2,409
Other non distributed costs including prior year pension costs and notional financing adjustments	2,159	2,159	0
Central costs total	-79,378	-73,908	5,470
Public Health grant funded from BRRS	-20,211	-20,211	0
	205,241	217,015	11,774
Transfer to / (from) General Fund reserves	0	0	0
Net expenditure	**205,241**	**217,015**	**11,774**

A subjective analysis of the above variation is shown in the following table:

Analysis of budget changes 2019/20 to 2020/21		
	£m	£m
2019/20 approved budget		205.241
Inflationary and other increases outside the direct control of the council		
Pay awards	3.391	
Pay - increments	0.220	
Pensions change in contribution rate	0.025	
Residual cost of living wage	0.247	
Price inflation	0.262	
		4.145
Service issues		
Other service commitments – revenue maintenance of capital projects etc	0.080	
Service investment - Street cleaning	0.585	
Participatory budgets	0.250	
Adult social care provision	2.380	
Children's social care provision	6.273	
		9.568
Government funding issues		
New Homes Bonus grant	-2.645	
New Social Care grant	-5.873	
Other specific grant changes	0.105	
		-8.413
Efficiencies and savings		
2020/21 savings and efficiencies	-9.812	
Reversal of one off efficiencies from 2019/20	5.822	
		-3.990
Financing adjustments		
Capital Financing costs	1.000	
Three year smoothing strategy	8.497	
Business Rates reserve changes	0.967	
		10.464
2020/21 revenue budget		**217.015**

Appendix 4 Formal resolutions - 2020/21 council tax

1. That the revised revenue estimates for the year 2019/20 and 2020/21 as set out in this report be approved.

2. That the council confirms the decision of the Lead Member for Finance and Support Services on 6 January 2020 to approve the calculation of 69,945 as the council's council tax base for the year 2020/21 (Item T in the formula in Section 31B (1) of the Local Government Finance Act 1992, as amended).

3. That the council confirms the action of the chief finance officer (s151 officer) in approving a business rates estimate which shows £90.050m as the council's share of its retained business rates for 2020/21.

4. That the following amounts be now calculated by the council for the year 2020/21 in accordance with Sections 31 to 36 of the Local Government Finance Act 1992 (the Act):

(a)	£694,061,793	being the aggregate of the amounts which the council estimates for the items set out in Section 31A (2) of the act representing the gross revenue budget of the council.

(b)	£579,333,807	being the aggregate of the amounts which the council estimates for the items set out in Section 31A (3) of the Act

(c)	£114,727,986	being the amount by which the aggregate at 4(a) above exceeds the aggregate at 4(b) above, calculated by the council, in accordance with Section 31A (4) of the Act, as its council tax requirement for the year. (Item R in the formula in Section 31A (4) of the Act).

(d)	£1,640.26	being the amount at 4(c) above, divided by Item T (2 above) calculated by the council, in accordance with Section31B (1) of the Act, as the basic amount of its council tax for the year.

(e) The amounts attributable to the valuation bands as shown in the following table being the amounts given by multiplying the amount at 4(d) above by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation band D, calculated by the council, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

A minus	A	B	C	D	E	F	G	H
£ 911.26	£ 1,093.50	£ 1,275.76	£ 1,458.00	£ 1,640.26	£ 2,004.76	£ 2,369.26	£ 2,733.76	£ 3,280.52

5. That it be noted that for the year 2020/21 the Greater Manchester mayor has stated the following amounts in precepts issued to the council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of the dwellings shown below.

Precept valuation bands								
Mayoral Police and Crime Commissioner Precept								
A minus	A	B	C	D	E	F	G	H
£ 115.72	£ 138.86	£ 162.01	£ 185.15	£ 208.30	£ 254.58	£ 300.87	£ 347.16	£ 416.60
Mayoral General Precept (including Fire Services)								
A minus	A	B	C	D	E	F	G	H
£ 50.52	£ 60.63	£ 70.73	£ 80.84	£ 90.95	£ 111.16	£ 131.37	£ 151.58	£ 181.90

6. That, having calculated the aggregate in each case of the amounts at 4(e) and 5 above, the council, in accordance with Sections 30 and 36 of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of council tax for the year 2020/21 for each of the categories of dwellings shown below:

2020/21 council tax								
A minus	A	B	C	D	E	F	G	H
£ 1,077.50	£ 1,292.99	£ 1,508.50	£ 1,723.99	£ 1,939.51	£ 2,370.50	£ 2,801.50	£ 3,232.50	£ 3,879.02

7. That the council tax empty property premium charged in accordance with the Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018 shall be:

- From 1 April 2020: 100% for a dwelling that has been empty for between 2 and 5 years and 200% for a dwelling that has been empty for 5 years or more
- From 1 April 2021:100% for a dwelling that has been empty for between 2 and 5 years, 200% for a dwelling that has been empty for between 5 and 10 years and 300% for a dwelling that has been empty for 10 years or more.

Appendix 5 Housing revenue account (HRA) forecast outturn 2019/20 and budget 2020/21

HRA	2019/20 Original Budget £000	2019/20 Outturn Forecast £000	2020/21 Estimated Budget £000
Expenditure			
Recharge to HRA including strategy	290	287	296
Private Finance Initiative - implementation	286	225	284
Central Internal Recharges	219	219	219
Contribution to capital programme	150	150	150
Provision for bad debts	184	171	187
Other costs including SLAs	86	83	87
Loan charges/interest	49	49	49
PFI	13,836	13,547	13,985
Contribution to/(from) balances	749	1,845	(387)
Expenditure - total	**15,849**	**16,576**	**14,870**
Income			
Rental income	(5,229)	(5,581)	(5,296)
Other income	(950)	(984)	(1,013)
PFI credits	(7,511)	(7,511)	(7,511)
Proceeds from Salix transfer	(1,789)	(2,500)	(910)
Contribution from PFI reserves	(369)	0	(140)
Income - total	**(15,849)**	**(16,576)**	**(14,870)**
Net budget	**0**	**0**	**0**

Appendix 6 2020/21 Capital programme - by service

		Source of finance			
		Internal		External	
Scheme Name	**2020-21**	**Self financing**	**Unsupported**	**Grant/ other**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**
Place - Regeneration					
Pre-imp. Regeneration and Infrastructure	0.300	-	0.300	-	0.300
Strategic place making	0.050	-	0.050	-	0.050
Strategic development	0.050	-	0.050	-	0.050
Strategic connections	13.276	-	-	13.276	13.276
Western gateway	0.150	-	0.150	-	0.150
City Centre Salford	22.560	-	0.460	22.100	22.560
Salford Quays & MediaCityUK	8.963	-	0.182	8.781	8.963
RHS Garden Bridgewater	6.705	-	0.937	5.768	6.705
Strategic environmental infrastructure plan	0.050	-	0.050	-	0.050
Buile Hill Mansion	1.225	-	1.100	0.125	1.225
Capitalised salaries	1.257	-	1.257	-	1.257
Total - Regeneration	**54.586**	**-**	**4.536**	**50.050**	**54.586**
Place - Environment					
Waste containers	0.162	-	0.162	-	0.162
Fleet replacement	0.510	-	0.510	-	0.510
Bereavement services	0.050	-	0.050	-	0.050
Greenspace and streetscene	1.121	-	0.380	0.741	1.121
Total - Environment	**1.843**	**-**	**1.102**	**0.741**	**1.843**
Place - Salford Community Leisure					
Salford sport village	0.285	-	-	0.285	0.285
Salford Museum and Art Gallery	0.160	-	0.067	0.093	0.160
Brookhouse changing rooms adult wing	0.070	-	0.070	-	0.070
Lowry investment	0.274	-	0.274	-	0.274
Pendleton Leisure Centre	0.625	-	0.625	-	0.625
Total - Salford Community Leisure	**1.414**	**-**	**1.036**	**0.378**	**1.414**
Place - Housing Regulatory Services					
Affordable warmth	0.100	-	0.100	-	0.100
Empty properties	0.150	-	-	0.150	0.150
Housing enforcement	0.500	-	0.500	-	0.500
Handyperson	0.350	-	0.350	-	0.350
Home Improvement Agency	0.100	-	0.100	-	0.100
Housing crime reduction	0.221	-	0.221	-	0.221
Salford money line	0.040	-	0.040	-	0.040
Winter welfare	0.070	-	0.070	-	0.070
Capitalised salaries	0.505	-	0.505	-	0.505
Total - Housing Regulatory Services	**2.036**	**-**	**1.886**	**0.150**	**2.036**

Scheme Name	2020/21	Source of finance: Internal – Self financing	Internal – Unsupported	External – Grant/ other	Total
	£m	£m	£m	£m	£m
Place - Planning & Low Carbon					
Trend BEMS controls	0.026	-	0.026	-	0.026
LED Lighting retrofit	0.074	-	0.074	-	0.074
Solar PV on public buildings	0.400	0.400	-	-	0.400
Unlocking clean energy in Grtr Manchester	3.076	1.784	-	1.292	3.076
Capitalised salaries	0.583	-	0.583	-	0.583
Total - Planning & Low Carbon	**4.160**	**2.184**	**0.683**	**1.292**	**4.160**
Place - Property					
Property - general maintenance	2.500	-	2.500	-	2.500
Property - new premises	0.200	-	0.200	-	0.200
Embankment	2.220	2.220	-	-	2.220
Capitalised salaries	0.244	-	0.244	-	0.244
Total - Property	**5.164**	**2.220**	**2.944**	**-**	**5.164**
Place - Housing Strategy & Enabling					
Housing development and delivery	22.237	22.237	-	-	22.237
Derive	3.397	1.377	2.020	-	3.397
Duchy Gypsy and Travellers Site	0.250	-	0.250	-	0.250
HRA New Build	9.657	3.919	-	5.738	9.657
Pendleton	0.505	-	0.505	-	0.505
Project development	0.100	-	0.100	-	0.100
Capitalised salaries	0.106	-	0.106	-	0.106
Total - Housing Strategy & Enabling	**36.252**	**27.533**	**2.981**	**5.738**	**36.252**
Place - Highways					
Block 3 programme	1.872	-	-	1.872	1.872
Capitalisation of highway maintenance	1.980	-	1.980	-	1.980
Crash Barrier Investment Programme	0.091	-	0.091	-	0.091
Highway Investment Programme	1.800	-	1.300	0.500	1.800
Adopted Structures	0.625	-	0.484	0.141	0.625
Non-Adopted Structural Assets	0.827	-	0.640	0.187	0.827
Flood Risk Management (CIP & DIP)	0.273	-	0.273	-	0.273
Total - Highways	**7.468**	**-**	**4.768**	**2.700**	**7.468**
Total - Place	**112.922**	**31.937**	**19.937**	**61.048**	**112.922**
People - Children & Adults					
Social care management software	1.000	-	1.000	-	1.000
Total - People	**1.000**	**-**	**1.000**	**-**	**1.000**
Service reform					
Strategic investment	1.867	1.867	-	-	1.867
Total - Service reform	**1.867**	**1.867**	**-**	**-**	**1.867**
Total Capital Requirement	**115.789**	**33.804**	**20.937**	**61.048**	**115.789**