Council

Minutes of the meeting on 2 March 2018

Present: The Deputy Lord Mayor Councillor June Hitchen – in the Chair

Councillors –
Akbar, Ahmed Ali, N. Ali, Alijah, Andrews, Austin-Behan, Barratt, Bridges, Chohan, Cookson, Connolly, Cooley, Craig, Curley, Dar, Davies, Ellison, Evans, Farrell, Fender, Flanagan, Fletcher-Hackwood, Hacking, Hassan, Hewitson, Hughes, Igbon, Ilyas, T. Judge, Kamal, Karney, Kirkpatrick, Lanchbury, Leech, Leese, Lovecy, Midgley, N. Murphy, S. Murphy, Newman, Noor, Ollerhead, O'Neil, Paul, B. Priest, H. Priest, Rahman, Raikes, Rawlins, Rawson, Razaq, Reid, Reeves, Richards, Rowles, Sadler, Sameen Ali, Sharif Mahamed, Sheikh, Shilton Godwin, Siddiqi, A. Simcock, Stogia, Stone, Strong, Taylor, Watson, Webb, Wills and Wilson

CC/18/15 Lord Mayor's Special Business – Councillor Sheila Newman

The Deputy Lord Mayor invited Councillor S Murphy to make a statement about the recent and unexpected death of Councillor Sheila Newman. The Council and those present at its meeting observed a minute silence in her memory.

Adjournment of Meeting at 10:15am

The Deputy Lord Mayor informed the Council that the meeting would be adjourned until 10:30am.

Meeting resumed at 10:30am

The Lord Mayor resumed the meeting.

Present -
The Right Worshipful, the Lord Mayor Councillor Eddy Newman – in the Chair

Councillors –
Akbar, Ahmed Ali, N. Ali, Alijah, Andrews, Austin-Behan, Barratt, Bridges, Chohan, Cookson, Connolly, Cooley, Craig, Curley, Dar, Davies, Ellison, Evans, Farrell, Fender, Flanagan, Fletcher-Hackwood, Hacking, Hassan, Hewitson, Hitchen, Hughes, Igbon, Ilyas, T. Judge, Kamal, Karney, Kirkpatrick, Lanchbury, Leech, Leese, Lovecy, Midgley, N. Murphy, S. Murphy, Noor, Ollerhead, O'Neil, Paul, B. Priest, H. Priest, Rahman, Raikes, Rawlins, Rawson, Razaq, Reid, Reeves, Richards, Rowles, Sadler, Sameen Ali, Sharif Mahamed, Sheikh, Shilton Godwin, Siddiqi, A. Simcock, Stogia, Stone, Strong, Taylor, Watson, Webb, Wills and Wilson

CC/18/16 Minutes

Decision

To agree the minutes of the ordinary meeting held on 24 January 2018 as correct record.

CC/18/17 The Council's Revenue and Capital Budget 2018/19 to 2019/20

The proceedings of the Art Galleries Committee on 7 February 2018 which provided details of the Art Galleries budget for 2018/19 were submitted for approval. In addition, the part proceedings of the Executive on 7 February 2018 were submitted for approval, which contained details on the following:

- Global Monitoring Report 2017/18
- Capital Budget Monitoring Q3 2017/18
- Medium Term Financial Plan 2017-2020
- Growth and Neighbourhoods Budget and Business Plan
- Corporate Core Budget and Business Planning 2018-2020
- Strategic Development Budget and Business Planning: 2018-2020
- Children's Services and Education Budget and Business Planning 2018-2020
- Manchester Health and Care Commissioning - Joint Financial Plan 2018-2020
- Adult Social Care Directorate Budget and Business Plan 2018-2020
- The Manchester Local Care Organisation
- School Funding (Dedicated Schools Grant 2018/19)
- Housing Revenue Account 2018/19 to 2020/21
- Capital Strategy and Budget 2018/19 to 2022/23
- Treasury Management Strategy Statement 2018/19

The Council also considered:

- Capital Strategy and Budget (Budget 2018/19 – 2022/23) report of the Chief Executive and City Treasurer.
- Treasury Management Strategy Statement and Borrowing Limits and Annual Investment Strategy 2018/19 report of the City Treasurer.
- Budget Resolution 2018/19 report of the Chief Executive, the City Treasurer and the City Solicitor containing revised budget calculations, as authorised by the Executive.

In addition, the Council received the minutes of the Resources and Governance Scrutiny Committee on 19 February 2018 that had considered the Budget Report 2018-2020.

Council was invited to approve proposals to ensure that the Housing Revenue Account for 2018/19 does not show a debit balance as set out in Appendix 1 to these minutes.

As part of the recommendations within minute reference Exe/18/009 of the part proceedings: **Capital Programme Monitoring Q3 2017/18** the Council was invited to approve the in-year budget transfers over £0.5m between capital schemes, as set out in Appendix 2 of these minutes, in order to maximise use of funding resources available to the City Council.

As part of the recommendations within minute reference Exe/18/010 of the part proceedings: **Medium Term Financial Plan 2017-2020** Council was also invited to approve for 2018/19:

(a) an increase in the basic amount of Council Tax (i.e. the City's element of council tax) by 3.49% (including 1.5% for adult social care);

(b) the contingency sum of £2.6m;

(c) the inflationary pressures and budgets to be allocated sum of £19.481m; and delegate the authority to set the final allocations to the City Treasurer in consultation with the Executive Member for Finance and Human Resources;

(d) the proposals for investments and to delegate to the City Treasurer in consultation with the Executive Member for Finance and Human Resources the process for drawing them down and allocating into cash limit budgets and the Manchester Health and Care Commissioning (MHCC) pooled budget;

(e) corporate budget requirements to cover the cost of levies / charges of £68.557m, capital financing costs of £44.582m, additional allowances and other pension costs of £10.183m and insurance costs of £2.004m;

(f) the estimated utilisation of £7.092m of the surplus from the on street parking and bus lane enforcement reserves after determining that any surplus from these reserves is not required to provide additional off street parking in the authority;

(g) the position on reserves as identified in the report as set out in Appendix 4 to these minutes subject to the final call on reserves after any changes are required to account for final levies etc.;

(h) the use of the rebate from the Combined Authority and Business Rate Reserves to offset the income forgone by including a 1.5% rather than 3% increase in Council Tax for adult social care.

In considering the **Capital Strategy and Budget 2018/19 to 2022/23** report of the Chief Executive and City Treasurer which presented the 2017/18 capital programme and forward commitments alongside the capital strategy for the City Council, the Council was asked to:

1. Approve the budget changes for the 2017/18 capital programme.

2. Approve the capital programme as presented in Appendix 3 (for £595.4m in 2018/19, £497.4m in 2019/20, £204.4m in 2020/21, £286.3m in 2021/22 and

£3.1m in 2022/23) which will require prudential borrowing of £1,020.3m to fund non-HRA schemes over the five year period for which provision has been made in the revenue budget for the associated financing costs (within limits previously agreed).

3. Delegate authority to:

   a) The Chief Executive and Director of Highways in consultation with the Executive Member for Environment for the approval of the list of schemes to be undertaken under the Highways capital programme.

   b) The Chief Executive and Director of Highways to implement the Highways schemes in accordance with the Capital Approval process and after consultation with the Executive Member for Environment on the final details and estimated costs.

   c) The City Treasurer in consultation with the Executive Member for Finance and Human Resources to add qualifying spend to save projects to the capital budget accordingly up to a maximum of £5m in 2018/19 and then £5m per year thereafter.

   d) The City Treasurer, in consultation with the Executive Member for Finance and Human Resources to accelerate spend from later years when necessary within the programme subject to resource availability.

   e) The City Treasurer in consultation with Executive Member for Finance and Human Resources to agree and approve where appropriate:

      i. The programme of schemes for the delivery of the corporate asset management programme; and
      ii. Proposals relating to Corporate Compulsory Purchase Orders.

As part of the recommendations within minute reference Exe/18/021 of the part proceedings: **Treasury Management Strategy Statement, Borrowing Limits and Annual Investment Strategy 2018/19** Council was also invited to approve:

1. The proposed Treasury Management Strategy Statement, in particular the:
   - Treasury Indicators attached at Appendix 5, of these minutes;
   - MRP Strategy outlined in Appendix 6;
   - Treasury Management Policy Statement at Appendix 7;
   - Treasury Management Scheme of Delegation at Appendix 8;
   - Borrowing Requirement listed in Appendix 9;
   - Borrowing Strategy outlined in Appendix 10;
   - Annual Investment Strategy detailed in Appendix 11.

2. Delegation to the City Treasurer, in consultation with the Executive Member for Finance and Human Resources, of authority to pursue any restructuring, rescheduling or redemption opportunities available, including amendments to the

Treasury Management Strategy if the changes require it. Any changes required to the Strategy will be reported to members at the earliest opportunity.

In considering the **Council Tax Resolution** report of the Chief Executive, City Treasurer and City Solicitor which presented the recommended Council Tax resolution and Collection budget for 2018/19, the Council was asked to:

1. Adopt the part proceedings of the Executive on 7 February 2018.

2. Note the position on reserves as detailed in Appendix 4 to these minutes.

3. Note the information on referenda as detailed in Section 3 of the report.

4. Approve the Council Tax determination attached as Appendix 12 to these minutes which:

   - Calculates the Council tax requirement in accordance with Section 31A of the Local Government Finance Act 1992 as amended by the Localism Act 2011.
   - Calculates a basic amount of Council Tax and an amount of tax for each valuation band (the City Council element) in accordance with Sections 31B and 36 of the Local Government Finance Act, 1992, as amended.
   - Sets an amount of Council Tax for each category of dwellings in each valuation band in accordance with Section 30 of the Local Government Finance Act, 1992.

5. Determine affordable borrowing limits, prudential indicators, proposals in respect of treasury management, annual investment strategy and minimum revenue provision strategy. The prudential indicators are listed in Appendix 13 of the report.

6. Approve the Collection Fund Budget for 2018/19 as set out in Appendix 14 of the report.

Motion Made and Seconded:

1. To approve the proceedings of the Art Galleries Committee on 7 February 2018 which provided details of the Art Galleries budget for 2018/19, and the part proceedings of the Executive on 7 February 2018, which contained details on the following:

   - Global Monitoring Report 2017/18
   - Capital Budget Monitoring Q3 2017/18
   - Medium Term Financial Plan 2017-2020
   - Growth and Neighbourhoods Budget and Business Plan
   - Corporate Core Budget and Business Planning 2018-2020
   - Strategic Development Budget and Business Planning: 2018-2020
   - Children's Services and Education Budget and Business Planning 2018-2020
   - Manchester Health and Care Commissioning - Joint Financial Plan 2018-2020
   - Adult Social Care Directorate Budget and Business Plan 2018-2020

- The Manchester Local Care Organisation
- School Funding (Dedicated Schools Grant 2018/19)
- Housing Revenue Account 2018/19 to 2020/21
- Capital Strategy and Budget 2018/19 to 2022/23
- Treasury Management Strategy Statement 2018/19

2. To note the minutes of the Resources and Governance Scrutiny Committee on 19 February 2018.

3. To approve the proposals, as set out in Appendix 1 of these minutes, to ensure that the Housing Revenue Account for 2018/19 does not show a debit balance.

4. To agree the recommendations within minute reference Exe/18/009 of the part proceedings: **Capital Budget Monitoring Q3 2017/18** for the in-year budget transfers over £0.5m between capital schemes, as set out in Appendix 2 of these minutes, in order to maximise use of funding resources available to the City Council.

5. To agree the recommendations within minute reference Exe/18/010 of the part proceedings: **Medium Term Financial Plan 2017-2020**:

   (a) an increase in the basic amount of Council Tax (i.e. the City's element of council tax) by 3.49% (including 1.5% for adult social care);

   (b) the contingency sum of £2.6m;

   (c) the inflationary pressures and budgets to be allocated sum of £19.481m; and delegate the authority to set the final allocations to the City Treasurer in consultation with the Executive Member for Finance and Human Resources;

   (d) the proposals for investments and to delegate to the City Treasurer in consultation with the Executive Member for Finance and Human Resources the process for drawing them down and allocating into cash limit budgets and the Manchester Health and Care Commissioning (MHCC) pooled budget;

   (e) corporate budget requirements to cover the cost of levies / charges of £68.557m, capital financing costs of £44.582m, additional allowances and other pension costs of £10.183m and insurance costs of £2.004m;

   (f) the estimated utilisation of £7.092m of the surplus from the on street parking and bus lane enforcement reserves after determining that any surplus from these reserves is not required to provide additional off street parking in the authority;

   (g) the position on reserves as identified in Appendix 4 to these minutes, subject to the final call on reserves after any changes are required to account for final levies etc.;

(h) the use of the rebate from the Combined Authority and Business Rate Reserves to offset the income forgone by including a 1.5% rather than 3% increase in Council Tax for adult social care.

6. To agree the budget changes for the 2017/18 capital programme as presented in Appendix 3 to these minutes (for £595.4m in 2018/19, £497.4m in 2019/20, £204.4m in 2020/21, £286.3m in 2021/22 and £3.1m in 2022/23) which will require prudential borrowing of £1,020.3m to fund non-HRA schemes over the five year period for which provision has been made in the revenue budget for the associated financing costs (within limits previously agreed).

7. To agree to delegate authority to:

   - The Chief Executive and Director of Highways in consultation with the Executive Member for Environment for the approval of the list of schemes to be undertaken under the Highways capital programme.

   - The Chief Executive and Director of Highways to implement the Highways schemes in accordance with the Capital Approval process and after consultation with the Executive Member for Environment on the final details and estimated costs.

   - The City Treasurer in consultation with the Executive Member for Finance and Human Resources to add qualifying spend to save projects to the capital budget accordingly up to a maximum of £5m in 2018/19 and then £5m per year thereafter.

   - The City Treasurer, in consultation with the Executive Member for Finance and Human Resources to accelerate spend from later years when necessary within the programme subject to resource availability.

   - The City Treasurer in consultation with the Executive Member for Finance and Human Resources to agree and approve where appropriate:

     - the programme of schemes for the delivery of the corporate asset management programme; and
     - Proposals relating to Corporate Compulsory Purchase Orders.

8. To agree the recommendations within minute reference Exe/18/021 of the part proceedings: **Treasury Management Strategy Statement, Borrowing Limits and Annual Investment Strategy 2018/19**, as referenced below:

   - Treasury Indicators attached at Appendix 5, of these minutes;
   - Minimum Revenue Provision Strategy attached at Appendix 6;
   - Treasury Management Policy Statement attached at Appendix 7;
   - Treasury Management Scheme of Delegation attached at Appendix 8;
   - Borrowing Requirement listed in Appendix 9 attached;
   - Borrowing Strategy outlined in Appendix 10 attached;
   - Annual Investment Strategy detailed in Appendix 11 attached.

9. To agree to delegate authority to the City Treasurer, in consultation with the Executive Member for Finance and Human Resources, to pursue any restructuring, rescheduling or redemption opportunities available, including amendments to the Treasury Management Strategy if the changes require it. Any changes required to the Strategy will be reported to members at the earliest opportunity.

10. To note the position on reserves.

11. To note the information on referenda as detailed in Section 3 of the Council Tax Resolution for 2018/19 report submitted.

12. To agree the Council Tax determination as detailed in Appendix 12 to these minutes which:

    - Calculates the Council tax requirement in accordance with Section 31A of the Local Government Finance Act 1992 as amended by the Localism Act 2011.
    - Calculates a basic amount of Council Tax and an amount of tax for each valuation band (the City Council element) in accordance with Sections 31B and 36 of the Local Government Finance Act, 1992, as amended.
    - Sets an amount of Council Tax for each category of dwellings in each valuation band in accordance with Section 30 of the Local Government Finance Act, 1992.

13. To agree the affordable borrowing limits, prudential indicators, proposals in respect of treasury management, annual investment strategy and minimum revenue provision strategy. The prudential indicators are listed in Appendix 13 to these minutes.

14. To approve the Collection Fund Budget for 2018/19 as set out in Appendix 14 to these minutes.

For the motion (68)
Councillors: Akbar, Ahmed Ali, N. Ali, Alijah, Andrews, Austin-Behan, Barratt, Bridges, Chohan, Cookson, Connolly, Cooley, Craig, Curley, Dar, Davies, Ellison, Evans, Farrell, Fender, Flanagan, Fletcher-Hackwood, Hacking, Hassan, Hewitson, Hughes, Igbon, Ilyas, T. Judge, Kamal, Karney, Kirkpatrick, Lanchbury, Leese, Lovecy, Midgley, N. Murphy, S. Murphy, Noor, Ollerhead, O'Neil, Paul, B. Priest, H. Priest, Rahman, Raikes, Rawlins, Rawson, Razaq, Reid, Reeves, Richards, Rowles, Sadler, Sameen Ali, Sharif Mahamed, Sheikh, Shilton Godwin, Siddiqi, A. Simcock, Stogia, Stone, Strong, Taylor, Watson, Webb, Wills and Wilson

Against the Motion (1)
Councillor Leech

Abstentions (0)

The Lord Mayor declared that the motion was **carried.**

Decision

1. To approve the proceedings of the Art Galleries Committee on 7 February 2018 which provided details of the Art Galleries budget for 2018/19, and the part proceedings of the Executive on 7 February 2018, which contained details on the following:

    - Global Monitoring Report 2017/18
    - Capital Budget Monitoring Q3 2017/18
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2. To note the minutes of the Resources and Governance Scrutiny Committee on 19 February 2018.

3. To approve the proposals, as set out in Appendix 1 of these minutes, to ensure that the Housing Revenue Account for 2018/19 does not show a debit balance.

4. To agree the recommendations within minute reference Exe/18/009 of the part proceedings: **Capital Budget Monitoring Q3 2017/18** for the in-year budget transfers over £0.5m between capital schemes, as set out in Appendix 2 of these minutes, in order to maximise use of funding resources available to the City Council.

5. To agree the recommendations within minute reference Exe/18/010 of the part proceedings: **Medium Term Financial Plan 2017-2020**:

    (a) an increase in the basic amount of Council Tax (i.e. the City's element of council tax) by 3.49% (including 1.5% for adult social care);

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    (c) the inflationary pressures and budgets to be allocated sum of £19.481m; and delegate the authority to set the final allocations to the City Treasurer in consultation with the Executive Member for Finance and Human Resources;

    (d) the proposals for investments and to delegate to the City Treasurer in consultation with the Executive Member for Finance and Human

Resources the process for drawing them down and allocating into cash limit budgets and the Manchester Health and Care Commissioning (MHCC) pooled budget;

(e) corporate budget requirements to cover the cost of levies / charges of £68.557m, capital financing costs of £44.582m, additional allowances and other pension costs of £10.183m and insurance costs of £2.004m;

(f) the estimated utilisation of £7.092m of the surplus from the on street parking and bus lane enforcement reserves after determining that any surplus from these reserves is not required to provide additional off street parking in the authority;

(g) the position on reserves as identified in Appendix 4 to these minutes, subject to the final call on reserves after any changes are required to account for final levies etc.;

(h) the use of the rebate from the Combined Authority and Business Rate Reserves to offset the income forgone by including a 1.5% rather than 3% increase in Council Tax for adult social care.

6. To agree the budget changes for the 2017/18 capital programme as presented in Appendix 3 to these minutes (for £595.4m in 2018/19, £497.4m in 2019/20, £204.4m in 2020/21, £286.3m in 2021/22 and £3.1m in 2022/23) which will require prudential borrowing of £1,020.3m to fund non-HRA schemes over the five year period for which provision has been made in the revenue budget for the associated financing costs (within limits previously agreed).

7. To agree to delegate authority to:

- The Chief Executive and Director of Highways in consultation with the Executive Member for Environment for the approval of the list of schemes to be undertaken under the Highways capital programme.

- The Chief Executive and Director of Highways to implement the Highways schemes in accordance with the Capital Approval process and after consultation with the Executive Member for Environment on the final details and estimated costs.

- The City Treasurer in consultation with the Executive Member for Finance and Human Resources to add qualifying spend to save projects to the capital budget accordingly up to a maximum of £5m in 2018/19 and then £5m per year thereafter.

- The City Treasurer, in consultation with the Executive Member for Finance and Human Resources to accelerate spend from later years when necessary within the programme subject to resource availability.

- The City Treasurer in consultation with the Executive Member for Finance and Human Resources to agree and approve where appropriate:

- the programme of schemes for the delivery of the corporate asset management programme; and
- Proposals relating to Corporate Compulsory Purchase Orders.

15. To agree the recommendations within minute reference Exe/18/021 of the part proceedings: **Treasury Management Strategy Statement, Borrowing Limits and Annual Investment Strategy 2018/19**, as referenced below:

    - Treasury Indicators attached at Appendix 5, of these minutes;
    - Minimum Revenue Provision Strategy attached at Appendix 6;
    - Treasury Management Policy Statement attached at Appendix 7;
    - Treasury Management Scheme of Delegation attached at Appendix 8;
    - Borrowing Requirement listed in Appendix 9 attached;
    - Borrowing Strategy outlined in Appendix 10 attached;
    - Annual Investment Strategy detailed in Appendix 11 attached.

16. To agree to delegate authority to the City Treasurer, in consultation with the Executive Member for Finance and Human Resources, to pursue any restructuring, rescheduling or redemption opportunities available, including amendments to the Treasury Management Strategy if the changes require it. Any changes required to the Strategy will be reported to members at the earliest opportunity.

17. To note the position on reserves.

18. To note the information on referenda as detailed in Section 3 of the Council Tax Resolution for 2018/19 report submitted.

19. To agree the Council Tax determination as detailed in Appendix 12 to these minutes which:

    - Calculates the Council tax requirement in accordance with Section 31A of the Local Government Finance Act 1992 as amended by the Localism Act 2011.
    - Calculates a basic amount of Council Tax and an amount of tax for each valuation band (the City Council element) in accordance with Sections 31B and 36 of the Local Government Finance Act, 1992, as amended.
    - Sets an amount of Council Tax for each category of dwellings in each valuation band in accordance with Section 30 of the Local Government Finance Act, 1992.

20. To agree the affordable borrowing limits, prudential indicators, proposals in respect of treasury management, annual investment strategy and minimum revenue provision strategy. The prudential indicators are listed in Appendix 13 to these minutes.

21. To approve the Collection Fund Budget for 2018/19 as set out in Appendix 14 to these minutes.

Appendix 1 - Housing Revenue Account Budget 2017/18 – 2020/21

	2017/18 (Forecast) £000	2018/19 £000	2019/20 £000	2020/21 £000	See Para.
Income					
Housing Rents	(60,846)	(59,940)	(60,409)	(60,698)	5.7
Heating Income	(1,010)	(809)	(825)	(842)	5.14
PFI Credit	(23,600)	(23,600)	(23,600)	(23,374)	5.11
Other Income	(1,574)	(1,149)	(1,110)	(1,082)	5.10
Funding from General HRA Reserve	3,012	(6,154)	(17,733)	(15,784)	7.1
Total Income	**(84,018)**	**(91,652)**	**(103,677)**	**(101,780)**	
Northwards R&M & Management Fee	20,750	20,376	20,088	20,339	5.24
PFI Contractor Payments	31,641	34,380	34,220	30,262	5.11
Communal Heating	1,068	866	883	901	5.14
Supervision and Management	5,544	5,272	5,342	5,414	5.28
Contribution to Bad Debts	922	1,206	1,519	1,831	5.22
Depreciation	14,000	14,347	14,621	14,845	5.18
Other Expenditure	1,340	1,423	1,563	1,321	5.27
RCCO	5,319	10,513	22,637	24,035	5.27
Interest Payable and similar charges	3,434	3,269	2,804	2,832	5.19
Total Expenditure	**84,018**	**91,652**	**103,677**	**101,780**	
Total Reserves:					
Opening Balance	90,991	94,003	87,849	70,116	7.1
Funding (from)/to Revenue	3,012	(6,154)	(17,733)	(15,784)	
Closing Balance	**94,003**	**87,849**	**70,116**	**54,332**	

Appendix 2 - Proposed Capital Virements

	2017/18 Virement	2018/19 Virement
Project Name	£m	£m
Highway Programme		
Highways Planned Maintenance Programme		
Large Patching repairs	-1,040	
Capitalised Repairs	1,040	
Public Sector Housing		
Northwards - External Work		
Door replacements - Phase 5		-7
Riverdale external & cyclical works phase 1/4		-2
New Lightbowne (Walderton Ave)		-2
Collyhurst Environmental programme		-1,080
Ancoats Anita St and George Leigh external cyclical works ph 3b	1	
Moston Mill estate (excl timber framed) external cyclical works ph 3b	-77	-50
Newton Heath Donleigh & Plantagenet estates external cyclical works ph 4a	-13	
Higher Blackley Central House solid wall insulation	-35	
Collyhurst environmental works		-5
Moston Miners Low Rise externals	-67	-57
Cheetham Smedley Rd externals	-4	
Moston Bannatyne/Lightbowne Rd/St George's Drive externals	-32	
Upgrade external lighting to retirement blocks		-1
Bin chute replacement at Mossbrook Ct	6	
External cyclical works ph 4b Charlestown Chain Bar low rise		-116
External cyclical works ph 4b Charlestown Chain Bar Hillingdon Drive maisonettes	17	
External cyclical works ph 4b Cheetham Appleford estate	-5	-56
External cyclical works ph 4b Crumpsall Blackley Village	81	
External cyclical works Ph 4b Newton Heath Troydale Estate	-324	-42
External cyclical works Ph 5 New Moston (excl corrolites)		30
Environmental improvements Moston corrolites		-433
Various Multi-storey communal fire door and other upgrading works	-2	
Lift replacement / refurbishment programme		-3
Ground Source Heat Pumps in 2/4 blocks	-5	
Decent Homes mop ups - Phase 7, and voids	-7	

	2017/18 Virement	2018/19 Virement
Project Name	£m	£m
Boiler replacements		-100
Retirement blocks lift programme	-12	
Charlestown Whitebeck Court communal areas	-6	
Retirement blocks lift programme	-2	
Boiler Replacement at Cheetham Hill Local Services Office	-32	
Lift replacement / refurbishment programme	30	
Fire precaution works - installation of fire seal box to electric cupboards on communal corridors in retirement blocks		-8
Community Room emergency lighting at Victoria Square		-10
Electrical surge protection		-8
Northwards - Unallocated		
Northwards Housing 14/15 Unallocated		
Northwards Housing Programme 2017/18	488	1,950
Children's Services Programme		
Basic Need Programme		
Co-op Academy expansion		4,315
Sacred Heart RC Expansion	41	
Matthews Lane		-1,143
Beaver Rd Primary Expansion		385
Lily Lane Primary		128
St. James Primary Academy		161
Crossacres Primary School		182
Ringway Primary School		-420
Webster Primary Schools	1,283	2,666
Basic need - unallocated funds	-1,324	-6,274
Universal Infant Free School Meals (UIFSM) - Allocated	154	
Universal Infant Free School Meals (UIFSM) - Unallocated	-154	
Schools Maintenance		
Abbot Community Primary Joinery	-16	
Ravensbury Highways Improvements	9	
Armitage CofE Primary Joinery	-45	
Schools Capital Maintenance -unallocated	52	
ICT Capital Programme		
ICT Infrastructure & Mobile Working Programme		
PSN Windows 2003	-80	
Data Centre UPS Installation	-136	
Core Infrastructure Refresh	2,520	539

	2017/18 Virement	2018/19 Virement
Project Name	£m	£m
Income Management	54	
CRM	54	
ICT Investment Plan	-2,412	-539
TOTAL CAPITAL PROGRAMME	0	0

Appendix 3 - Capital Programme 2018/19 - 2022/23

	2017/18 budget	2018/19 budget	2019/20 budget	2020/21 budget	2021/22 budget	2022/23 budget	Total
	£m	£m	£m	£m	£m	£m	£m
Manchester City Council Programme							
Highways	37.8	49.4	48.9	24.3	21.4	0.0	**181.8**
Growth and Neighbourhoods	11.5	34.1	16.5	11.8	0.1	0.0	**74.0**
Strategic Development	119.1	123.7	108.2	39.8	15.1	0.0	**405.9**
Town Hall Refurbishment	5.3	22.7	23.1	39.9	214.7	0.0	**305.7**
Housing – General Fund	16.5	23.4	30.8	14.5	6.2	0.0	**91.4**
Housing – HRA	19.5	27.4	41.9	44.3	19.0	3.1	**155.2**
Children's Services (Schools)	69.1	62.1	58.7	3.9	3.0	0.0	**196.8**
ICT	4.9	14.2	13.0	15.3	6.4	0.0	**53.8**
Adults, Children's and Corporate Services	1.8	65.7	82.8	0.4	0.4	0.0	**151.1**
MCC TOTAL	**285.5**	**422.7**	**423.9**	**194.2**	**286.3**	**3.1**	**1,615.7**
Projects carried out on behalf of Greater Manchester	80.5	172.7	73.5	10.2	0.0	0.0	**336.9**
TOTAL	**366.0**	**595.4**	**497.4**	**204.4**	**286.3**	**3.1**	**1,952.6**

Appendix 4 - Proposed Use of Reserves

	Opening Balance 1/04/2018 £'000	Withdrawals £'000	Additions £'000	Closing Balance 31/03/2019 £'000	Withdrawals £'000	Additions £'000	Closing Balance 31/03/2020 £'000	PURPOSE
SUMMARY OF RESERVES								
Schools Reserve	18,762	0	0	18,762	0	0	18,762	
General Fund Reserves								
Statutory Reserves	12,001	(8,504)	7,551	11,048	(7,130)	7,414	11,332	
Earmarked Reserves	200,748	(69,006)	61,095	192,837	(61,794)	51,701	182,744	
General Fund Reserve	21,307	0	1,531	22,838	0	0	22,838	
Total General Fund	**234,056**	**(77,510)**	**70,177**	**226,723**	**(68,924)**	**59,115**	**216,914**	
Housing Revenue Account Reserves:								
Housing Revenue Account General Reserve	58,897	(6,154)	0	52,743	(17,733)	0	35,010	
HRA PFI reserve	10,000	0	0	10,000	0	0	10,000	
HRA Residual liabilities fund	24,000	0	0	24,000	0	0	24,000	
Housing Insurance reserve	1,106	0	0	1,106	0	0	1,106	
Total HRA	94,003	(6,154)	0	87,849	(17,733)	0	70,116	
TOTAL RESERVES	**346,821**	**(83,664)**	**70,177**	**333,334**	**(86,657)**	**59,115**	**305,792**	
ANALYSIS OF RESERVES								

	Opening Balance 1/04/2018 £'000	Withdrawals £'000	Additions £'000	Closing Balance 31/03/2019 £'000	Withdrawals £'000	Additions £'000	Closing Balance 31/03/2020 £'000	PURPOSE
SCHOOLS RESERVE								
LMS Reserve	18,762	0	0	18,762	0	0	18,762	School balances - These are not MCC resources and so cannot be used by MCC
Sub Total Schools	18,762	0	0	18,762	0	0	18,762	
STATUTORY RESERVES								
Bus Lane Enforcement Reserve	3,947	(1,860)	2,300	4,387	(1,510)	2,300	5,177	Ring fenced reserve which can only be applied to specific transport and highways related activity.
On Street Parking	2,807	(6,606)	5,019	1,220	(5,582)	5,019	657	Ring fenced reserve which can only be applied to specific transport and highways related activity.
Ancoats Square Reserve	2,943	(25)	0	2,918	(25)	0	2,893	Was received from the HCA to cover the revenue costs of maintaining Ancoats Square for a period of at least 25 years.
Spinningfields Commuted Sum	820	0	0	820	0	0	820	Funds received as part of an agreement to cover maintenance costs.

	Opening Balance 1/04/2018 £'000	Withdrawals £'000	Additions £'000	Closing Balance 31/03/2019 £'000	Withdrawals £'000	Additions £'000	Closing Balance 31/03/2020 £'000	PURPOSE
New Smithfield Market	238	0	70	308	0	20	328	To contribute towards funding the development plans for the market
Great Northern Square Maint Fund	322	(13)	0	309	(13)	0	296	Set up in accordance with the agreement with the developers of the site. It will be used for upgrading of the square.
Education Endowments	17	0	0	17	0	0	17	Kept as part of future payments for school prizes
Landlord Licensing Reserve	117	0	87	204	0	0	204	Smoothing reserve
Art Fund Reserve	35	0	0	35	0	0	35	For art purchases
St Johns Gdns Contingency	755	0	75	830	0	75	905	Contribution from St Johns Gardens tenants for maintenance works
Sub Total Statutory	**12,001**	**(8,504)**	**7,551**	**11,048**	**(7,130)**	**7,414**	**11,332**	
EARMARKED RESERVES								
BALANCES HELD FOR PFI'S								
Temple PFI	653	(100)	0	553	(100)	0	453	Established to fund the requirements of the PFI scheme over 25 years

	Opening Balance 1/04/2018 £'000	Withdrawals £'000	Additions £'000	Closing Balance 31/03/2019 £'000	Withdrawals £'000	Additions £'000	Closing Balance 31/03/2020 £'000	PURPOSE
Wright Robinson PFI Reserve	1,051	0	50	1,101	0	50	1,151	PFI Scheme 25 year contract drawdown will be in future years as expenditure exceeds grant.
Total held for PFI's	**1,704**	**(100)**	**50**	**1,654**	**(100)**	**50**	**1,604**	
SMALL SPECIFIC RESERVES								
Housing Loans	123	0	10	133	0	10	143	Resources available to meet future needs of mortgage accounts
Nuclear Free Zone	56	0	0	56	0	0	56	General reserve
Highways Commuted Sum	98	0	0	98	0	0	98	Funds received as part of developer agreements
Climate Innovation Fund	456	0	0	456	0	0	456	£1m was set aside to support the emerging investment model on Green Deal for Manchester and schemes which contribute towards carbon reduction.
NSM - Car Boot	263	(45)	55	273	(45)	55	283	Used to fund repairs and maintenance of facilities for traders.
Cemeteries Replacement	361	0	40	401	0	40	441	To purchase land for burials

	Opening Balance 1/04/2018 £'000	Withdrawals £'000	Additions £'000	Closing Balance 31/03/2019 £'000	Withdrawals £'000	Additions £'000	Closing Balance 31/03/2020 £'000	PURPOSE
Primary School Catering Reserve	373	(170)	0	203	(154)	0	49	Reserve established to support the Service's competiveness by smoothing school meal prices during the 3 year price planning period.
Catering R & M Insurance Account	166	(40)	0	126	(40)	0	86	Reserve established to meet refurbishment cost of school kitchens.
CWAG Reserve	80	(6)	0	74	(6)	0	68	Held in relation to the running costs of Council's With ALMOs Group (CWAG) which is administered by MCC
Graves And Memorials	97	0	0	97	0	0	97	Money held in trust for repair and Development costs for gravestones
Other Small Specific reserves	28	0	0	28	0	0	28	Small specific reserves
Total Small Specific Reserves	**2,101**	**(261)**	**105**	**1,945**	**(245)**	**105**	**1,805**	
RESERVES FOR SPECIFIC RISKS OR TO SMOOTH COSTS								
Risks								
Historic Abuse Claims Reserve	5,563	(2,500)	0	3,063	(2,500)	0	563	For potential future legal cases

	Opening Balance 1/04/2018 £'000	Withdrawals £'000	Additions £'000	Closing Balance 31/03/2019 £'000	Withdrawals £'000	Additions £'000	Closing Balance 31/03/2020 £'000	PURPOSE
Planning Reserve	1,511	0	0	1,511	0	0	1,511	To smooth fluctuations in planning income
Transformation Reserve	8,762	0	0	8,762	0	0	8,762	To support costs of future service change.
Airport Dividend reserve	29,161	(29,161)	29,161	29,161	(29,161)	29,161	29,161	The additional airport dividend will be used to support future years budget
Land Charges Fees Reserve	290	0	0	290	0	0	290	To mitigate risk across financial years
Housing Investment Fund	530	0	0	530	0	0	530	To hold ringfenced Housing Investment resources
Pension Risk Fund - MWL	494	0	0	494	0	0	494	This relates to potential pension liabilities for Manchester Working employees.
Inspirit Pension Reserve	23	0	0	23	0	0	23	Relates to potential pension liabilities
Manchester International Festival	1,000	(500)	0	500	(500)	0	0	To fund the additional costs of the Mcr International Festival Fund.
Insurance Fund	15,918	0	0	15,918	0	0	15,918	The insurance fund has been established to fund risks that are self-insured.

	Opening Balance 1/04/2018 £'000	Withdrawals £'000	Additions £'000	Closing Balance 31/03/2019 £'000	Withdrawals £'000	Additions £'000	Closing Balance 31/03/2020 £'000	PURPOSE
Fleet Maintenance Reserve	21	(21)	0	0	0	0	0	Reserve created for smoothing the impact of vehicle repair and maintenance costs.
Taxi Licensing Reserve	2	0	0	2	0	0	2	This is a smoothing reserve to equalise the income and expenditure of running the function over financial years. Income ring-fenced by statute.
Newton Heath Market Reserve	22	0	0	22	0	0	22	To fund future markets expenditure
New Islington Dowry Reserve	50	0	0	50	(50)	0	0	NWDA funding for maintenance over a 10 year period.
Business Rates Reserve	9,508	(967)	13,729	22,270	(7,157)	3,810	18,923	To mitigate Business Rates income risk
Total Risk/Smooth	**72,855**	**(33,149)**	**42,890**	**82,596**	**(39,368)**	**32,971**	**76,199**	
RESERVES HELD TO FUND PLANNED CAPITAL SPEND								
Housing Regeneration reserve	13,446	(1,100)	0	12,346	(350)	0	11,996	To deliver strategic housing related regeneration projects.
Service Improvement Fund	221	0	0	221	0	0	221	Balance relates to system improvements

	Opening Balance 1/04/2018 £'000	Withdrawals £'000	Additions £'000	Closing Balance 31/03/2019 £'000	Withdrawals £'000	Additions £'000	Closing Balance 31/03/2020 £'000	PURPOSE
Capital Fund Revenue Reserve	59,774	(6,507)	7,449	60,716	(9,078)	12,849	64,487	Contribution to schemes which are being brought forward to support employment and growth as part of the Council's Capital Programme. Used to fund high priority strategic development opportunities in the city for those that do not attract external funding. This can also be used for revenue.
Eastlands Reserve	6,801	(2,539)	2,231	6,493	(2,583)	2,317	6,227	English Institute of Sport - Sport England MCFC income
Total to fund capital spend	**80,242**	**(10,146)**	**9,680**	**79,776**	**(12,011)**	**15,166**	**82,931**	
RESERVES TO SUPPORT GROWTH AND REFORM								
Better Care	8,912	(7,609)	2,600	3,903	(1,087)	0	2,816	Contributions received from CCG's
Town Hall Reserve	11,297	(2,988)	2,100	10,409	(3,620)	2,400	9,189	To fund revenue expenditure on the Town Hall Complex Programme

	Opening Balance 1/04/2018 £'000	Withdrawals £'000	Additions £'000	Closing Balance 31/03/2019 £'000	Withdrawals £'000	Additions £'000	Closing Balance 31/03/2020 £'000	PURPOSE
Troubled Families Reserve (Manchester Investment Fund)	1,775	0	0	1,775	0	0	1,775	This was set up to support the scaling up on the community budgets work
Clean City	2,013	(2,013)	0	0	0	0	0	To support green initiatives
Children and Families Investment Reserve	5,187	(5,514)	3,670	3,343	(2,820)	1,009	1,532	To invest in priorities within Children and Families
NW Construction Hub Reserve	381	0	0	381	0	0	381	The capital programme section manages the NWCH, other LA’s pay a fee to use the service and the income is used to cover the cost of retendering every three years.
Transformation Challenge Award	453	(100)	0	353	0	0	353	Transformation challenge award was awarded to GM authorities to support reform. Manchester's share was £757,904 and has been allocated to projects.

	Opening Balance 1/04/2018 £'000	Withdrawals £'000	Additions £'000	Closing Balance 31/03/2019 £'000	Withdrawals £'000	Additions £'000	Closing Balance 31/03/2020 £'000	PURPOSE
Our Manchester reserve	5,967	(3,424)	0	2,543	(2,543)	0	0	Additional investment made available as part of the 2017/2020 budget process to drive forward the delivery of Our Manchester
City Centre Review reserve	2,720	(2,720)	0	0	0	0	0	To fund improvements in the City Centre
Work Programme leavers reserve	32	(32)	0	0	0	0	0	To support reform initiatives
TOTAL	**38,737**	**(24,400)**	**8,370**	**22,707**	**(10,070)**	**3,409**	**16,046**	
GRANTS USED OVER ONE YEAR - NOW HAVE TO BE SHOWN AS A RESERVE DUE TO CHANGE IN ACCOUNTANCY RULES								
English Partnership (HCA)	1,902	(100)	0	1,802	0	0	1,802	HCA approval required to Fund Development appraisal and Eastlands Project team
Other Grants and Contributions	1,419	(466)	0	953	0	0	953	Various local Environment scheme & initiatives i.e. 'clean up campaigns'
Contributions Other Local Authorities	434	0	0	434	0	0	434	Relates to various ongoing Civil Contingencies schemes.
DFT Grants	28	0	0	28	0	0	28	Unspent grant received in previous year

	Opening Balance 1/04/2018 £'000	Withdrawals £'000	Additions £'000	Closing Balance 31/03/2019 £'000	Withdrawals £'000	Additions £'000	Closing Balance 31/03/2020 £'000	PURPOSE
Other Grants and Contributions Regeneration	266	0	0	266	0	0	266	Unspent grant received in previous year
Fraud Fund	134	(134)	0	0	0	0	0	Unspent grant received in previous year
SEN Reform	38	(38)	0	0	0	0	0	Grant to help local authorities in England continue to meet the costs of implementing the special educational needs and disabilities (SEND) reforms
Right to Control Grant Reserve	21	0	0	21	0	0	21	Unspent grant received in previous year
Supporting People	6	0	0	6	0	0	6	Unspent grant received in previous year
Workforce Development and Learning	212	(212)	0	0	0	0	0	Unspent grant received in previous year

	Opening Balance 1/04/2018 £'000	Withdrawals £'000	Additions £'000	Closing Balance 31/03/2019 £'000	Withdrawals £'000	Additions £'000	Closing Balance 31/03/2020 £'000	PURPOSE
Asylum Seekers	612	0	0	612	0	0	612	MCC are holding the monies on behalf of AGMA Councils, this money will not be drawn down in year but needs to be retained on the Balance sheet to ensure that MCC are not in breach of the contract that we hold as Lead Authority on this project.
Flood management reserve	37	0	0	37	0	0	37	Unspent grant received in previous year
TOTAL	**5,109**	**(950)**	**0**	**4,159**	**0**	**0**	**4,159**	
TOTAL EARMARKED RESERVES	**200,748**	**(69,006)**	**61,095**	**192,837**	**(61,794)**	**51,701**	**182,744**	
Total General Fund Reserves	**234,056**	**(77,510)**	**70,177**	**226,723**	**(68,924)**	**59,115**	**216,914**	

Appendix 5 - Treasury Limits and Prudential Indicators

Please note last years approved figures are shown in brackets.

Treasury Management Indicators	2018-19		2019-20		2020-21
	£m		£m		£m
Authorised Limit - external debt					
Borrowing	1,454.8	(1,555.4)	1,672.7	(1,595.7)	1,684.5
other long term liabilities	216.0	(216.0)	216.0	(216.0)	216.0
TOTAL	1,670.8	(1,771.4)	1,888.7	(1,811.7)	1,900.5
Operational Boundary - external debt					
borrowing	1,146.7	(1,159.8)	1,381.4	(1,412.9)	1,435.0
other long term liabilities	216.0	(216.0)	216.0	(216.0)	216.0
TOTAL	1,362.7	(1,375.8)	1,597.4	(1,628.9)	1,651.0
Actual external debt	951.7	(936.6)	1,192.0	(1,258.7)	1,259.6
Upper limit for total principal sums invested for over 364 days	0	(0)	0	(0)	0
Upper limit for fixed interest rate exposure					
Net borrowing at fixed rates as a % of total net borrowing	100%	(96%)	100%	(100%)	100%
Upper limit for variable interest rate exposure					
Net borrowing at variable rates as a % of total net borrowing	85%	(92%)	93%	(97%)	95%
Capital Expenditure					
Non - HRA	568.0	(451.0)	455.5	(450.1)	160.1
HRA	27.5	(42.1)	41.9	(39.8)	44.3
TOTAL	595.5	(493.1)	497.4	(489.9)	204.4
Capital Financing Requirement (as at 31 March)					
Non – HRA	1,409.6	(1,267)	1,664.4	(1,527)	1,730.5
HRA	281.7	(269)	298.1	(282)	299.3
TOTAL	1,691.3	(1,536)	1,962.5	(1,809)	2,029.8

Maturity structure of fixed rate borrowing during 2018-19	Upper Limit		Lower limit	
variable under 12 months v 12 months and within 24 months 24 months and within 5 years 5 years and within 10 years 10 years and above	90% 70% 100% 80% 70% 80%	- (70%) (100%) (80%) (70%) (70%)	- 0% 0% 0% 0% 20%	- (0%) (0%) (0%) (0%) (0%)
Has the Authority adopted the CIPFA Treasury Management Code?				Yes

The status of the indicators will be included in Treasury Management reporting during 2018/19. They will also be included in the Council's Global Revenue Budget monitoring.

Definitions and Purpose of the Treasury Management Indicators noted in the table above
(Indicators are as recommended by the CIPFA Prudential Code)

Authorised Limit - external debt

The local authority will set for the forthcoming financial year and the following two financial years an authorised limit for its total external debt, excluding investments, separately identifying borrowing from other long-term liabilities. This prudential indicator is referred to as the Authorised Limit.

Operational Boundary - external debt

The local authority will also set for the forthcoming financial year and the following two financial years an operational boundary for its total external debt, excluding investments, separately identifying borrowing from other long-term liabilities. This prudential indicator is referred to as the Operational Boundary.

Both the Authorised Limit and the Operational Boundary need to be consistent with the authority's plans for capital expenditure and financing; and with its treasury management policy statement and practices. The Operational Boundary should be based on the authority's estimate of most likely, i.e. prudent, but not worst case scenario. Risk analysis and risk management strategies should be taken into account.

The Operational Boundary should equate to the maximum level of external debt projected by this estimate. Thus, the Operational Boundary links directly to the Authority's plans for capital expenditure; its estimates of capital financing requirement; and its estimate of cash flow requirements for the year for all purposes. The Operational Boundary is a key management tool for in-year monitoring.

It will probably not be significant if the Operational Boundary is breached temporarily on occasions due to variations in cash flow. However, a sustained or regular trend above the Operational Boundary would be significant and should lead to further investigation and action as appropriate. Thus, both the Operational Boundary and the Authorised Limit will be based on the authority's plans. The authority will need to assure itself that these plans are affordable and prudent. The Authorised Limit will in addition need to provide headroom over and above the Operational Boundary sufficient for example for unusual cash movements.

Actual external debt

After the year end, the closing balance for actual gross borrowing plus (separately), other long-term liabilities is obtained directly from the local authority's Balance Sheet.

The prudential indicator for Actual External Debt considers a single point in time and hence is only directly comparable to the Authorised Limit and Operational Boundary at that point in time. Actual debt during the year can be compared.

Upper limit for total principal sums invested for over 364 days

The authority will set an upper limit for each forward financial year period for the maturing of investments made for a period longer than 364 days. This indicator is referred to as the prudential limit for Principal Sums Invested for periods longer than 364 days.

The purpose of this indicator is so the authority can contain its exposure to the possibility of loss that might arise as a result of its having to seek early repayment or redemption of principal sums invested.

Upper limit for fixed interest rate exposure

The authority will set for the forthcoming financial year and the following two financial years upper limits to its exposures to the effects of changes in interest rates. These indicators will relate to both fixed and variable interest rates. They may relate to either the authority's net interest on, or to its net principal sum outstanding on its borrowing/investments.

Upper limit for variable interest rate exposure

This indicator is as described and calculated above for Fixed Interest Rate Exposures, but substitutes 'variable rates' for 'fixed rates'.

Maturity structure of new fixed rate borrowing

The authority will set for the forthcoming financial year both upper and lower limits with respect to the maturity structure of its borrowing. These indicators are referred to as the Upper and Lower limits respectively for the Maturity Structure of Borrowing.

Has the Authority adopted the CIPFA Treasury Management Code?

This prudential indicator in respect of treasury management is to confirm that the local authority has adopted the CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. The aim is to ensure that treasury management is led by a clear and integrated forward treasury management strategy, and a recognition of the preexisting structure of the authority’s borrowing and investment portfolios.

Appendix 6 - Minimum Revenue Provision Strategy

The Council implemented the new Minimum Revenue Provision (MRP) guidance in 2011/12 and has assessed its MRP for 2018/19 in accordance with the main recommendations contained within the guidance issued by the Secretary of State under section 21(1A) of the Local Government Act 2003.
The Council is required to make provision for repayment of an element of the accumulated General Fund capital spend each year through a revenue charge (the Minimum Revenue Provision - MRP).
DHCLG Regulations require full Council to approve an MRP Statement, in advance of each year. If the Council wishes to amend its policy during the year this would need to be approved by full Council. A variety of options are available to councils to replace the previous Regulations, so long as there is a prudent provision. The options are:

- **Option 1:** Regulatory Method – can only be applied to capital expenditure incurred prior to April 2008 or Supported Capital Expenditure. This is calculated as 4% of the non-housing CFR at the end of the preceding financial year, less some transitional factors relating to the movement to the new Prudential Code in 2003.

- **Option 2:** CFR Method – a provision equal to 4% of the non-housing CFR at the end of the preceding financial year.

- **Option 3:** Asset Life Method – MRP is calculated based on the life of the asset, on either an equal instalment or an annuity basis.

- **Option 4:** Depreciation Method – MRP is calculated in accordance with the depreciation accounting required for the asset.

Options 1 and 2 may be used only for supported expenditure, which is capital expenditure for which the Council has been notified by Government that the costs of that expenditure will be taken into account in the calculation of Government funding due to the Council.

It is important to note that the Council can deviate from these options provided that the approach taken ensures that there is a prudent provision. The Council has historically followed option 1 for supported expenditure based on the level of support provided by Government through Revenue Support Grant (RSG).

The assets created or acquired under Supported Capital Expenditure predominantly had long asset lives of .c 50 years, such as land or buildings, and an MRP of 4% suggests a significantly shorter asset life. As the level of RSG the Council receives has reduced in recent years, it was considered prudent to review the approach to MRP on supported borrowing to reflect the Government support received.

It was therefore agreed that from 2017/18 a provision of 2% of the non-housing CFR as at the end of the preceding financial year is to be made. This is in line with many other local authorities who have reviewed the basis for their MRP and have applied a similarly revised policies.

It is the Council's policy that MRP relating to an asset will start to be incurred in the year after the capital expenditure on the asset is incurred or, in the case of new assets, in the year following the asset coming into use, in accordance with DHCLG's guidance.

The Council recognises that there are different categories of capital expenditure, for which it will incur MRP as follows:

- For non HRA Supported Capital Expenditure: MRP policy will be charged at a rate of 2% on a similar basis to option 1 of the guidance (the regulatory method) but at a lower rate, better reflecting the asset lives of the assets funded through Supported Borrowing.

- For non HRA unsupported capital expenditure incurred the MRP policy will be:

- Asset Life Method – MRP will be based on a straight line basis or annuity method so linking the MRP to the future flow of benefits from the asset, dependant on the nature of the capital expenditure, in accordance with option 3 of the guidance.

- If the expenditure is capital by virtue of a Ministerial direction, has been capitalised under a Capitalisation Directive, or does not create a council asset, MRP will be provided in accordance with option 3 of the guidance with asset lives calculated as per the table below:

Expenditure type	**Maximum period over which MRP to be made**
Expenditure capitalised by virtue of a direction under s16 (2) (b).	20 years.
Regulation 25(1) (a). Expenditure on computer programs.	Same period as for computer hardware.
Regulation 25(1) (b). Loans and grants towards capital expenditure by third parties.	The estimated life of the assets in relation to which the third party expenditure is incurred.
Regulation 25(1) (c). Repayment of grants and loans for capital expenditure.	25 years or the period of the loan if longer.
Regulation 25(1) (d). Acquisition of share or loan capital.	20 years, or the estimated life of the asset acquired.
Regulation 25(1) (e). Expenditure on works to assets not owned by the authority.	The estimated life of the assets.
Regulation 25(1) (ea). Expenditure on assets for use by others.	The estimated life of the assets.
Regulation 25(1) (f). Payment of levy on Large Scale Voluntary Transfers (LSVTs) of dwellings.	25 years.

- For PFI service concessions and some lessee interests: Following the move to International Accounting Standards arrangements under private finance initiatives (PFIs) service concessions and some lessee interests (including embedded leases) are accounted for on the Council's balance sheet. Where this occurs, a part of the contract charge or rent payable will be taken to reduce the balance sheet liability rather than being charged as revenue expenditure. The MRP element of these schemes will be the amount of contract charge or rental payment charged against the balance sheet liability. This approach will produce an MRP charge comparable to that under option 3 in that it will run over the life of the lease or PFI scheme.

In some exceptional cases, the Council will deviate from the policy laid out above provided such exceptions remain prudent. Any exceptions are listed below:

- Where capital expenditure is incurred through providing loans to organisations, and where those loans are indemnified or have financial guarantees protecting against loss, no MRP will be charged in relation to the capital expenditure. Similarly, loans given by the Council where any losses incurred on the investment will impact solely on a third party, such as those provided under the City Deal arrangement with the HCA, will not require an MRP charge.

Appendix 7 - Treasury Management Policy Statement

1. This organisation defines its treasury management activities as:
   The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

2. This organisation regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

3. This organisation acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

The Council will invest its monies prudently, considering security first, liquidity second, and yield last, carefully considering its investment counterparties. It will similarly borrow monies prudently and consistent with the Council's service objectives.

Appendix 8 - Treasury Management Scheme of Delegation

i **Full Council**

- receiving and reviewing reports on treasury management policies, practices and activities
- approval of annual strategy

ii **Responsible body – Audit Committee**

- approval of/amendments to the organisation’s adopted clauses, treasury management policy statement and treasury management practices
- budget consideration and approval
- approval of the division of responsibilities
- receiving and reviewing regular monitoring reports and acting on recommendations
- approving the selection of external service providers and agreeing terms of appointment

iii **Body with responsibility for scrutiny** - Resource and Governance Scrutiny Committee

- reviewing the treasury management policy and procedures and making recommendations to the responsible body

iv **City Treasurer**

- delivery of the function

Appendix 9 – Borrowing Requirement

6.1. The potential long-term borrowing requirements over the next three years are:

Table 2	2018/19	2019/20	2020/21
	£'000 estimate	**£'000 estimate**	**£'000 estimate**
Planned Capital Expenditure funded by Borrowing	386,742	286,051	104,583
Change in Grants & Contributions	-27,446	14,364	8,133
Change in Capital Receipts	5,185	26,988	-
Change in Reserves	10,875	12,881	196
MRP Provision	-19,509	-27,966	-35,202
Refinancing of maturing debt (GF)	40,546	1,267	-
Refinancing of maturing debt (HRA)	7,454	233	-
Movement in Working Capital	100,059	-	-
Estimated Borrowing Requirement	**503,906**	**313,818**	**77,710**
Funded by:			
GF	352,035	240,063	67,510
HRA	7,454	233	-
HCA/HIF	144,417	73,522	10,200
	503,906	**313,818**	**77,710**

6.2. As part of the wider borrowing powers for the GMCA noted above, the Government has reviewed the Greater Manchester Debt Deal. The review has removed the Combined Authority from the Debt Deal, as they will now operate under their own debt agreement. Two thirds of the Combined Authority's headroom has been reallocated to the other participants in the original debt deal, and this debt deal will be reviewed in early 2018/19.

6.3. The borrowing detailed in Table 2 maintains the Council within the revised Government debt deal limit.

Appendix 10 - Borrowing Strategy

General Fund

9.1. The proposed Capital Budget, submitted to Executive in February and Council in March, contains significant capital investment across the city. The scale of the investment is such that it is highly likely that the Council will need to undertake external borrowing in the immediate future, and will not be able on to rely on internal borrowing alone. However, where possible, internal borrowing will be the first option due to the interest savings generated.

9.2. The Council's borrowing strategy should utilise the annual provision it is required to make to reduce debt, in the form of its Minimum Revenue Provision (MRP). The most efficient arrangement is for MRP to be used to reduce the new long term debt expected to be required. This ensures that MRP is utilised and does not accumulate as cash on the balance sheet, and reduces the expected level of debt. Alternatively MRP could be used to repay existing debt, but this would be at considerable cost in the current interest rate environment.

9.3. In previous years this has not been an issue as the Council has had significant borrowing requirements year on year which have allowed it to use the MRP to reduce the borrowing required. However, the borrowing requirement may well be expected to fall in the long term and therefore, a prudent strategy is to seek to borrow in the medium term, with maturities to match the estimated MRP that is generated in that period. This avoids an accumulation of cash on the Balance Sheet that would need to be invested (at a net cost and investment risk to the Council).

9.4. The overall aim of the borrowing strategy is to rebalance the portfolio by introducing more medium term debt when there is a borrowing requirement, whilst seeking to continue to utilise the Council's level of reserves and provisions by internally borrowing when possible.

Housing Revenue Account

9.5. The current business plan for the HRA suggests a borrowing requirement in 2018/19, based on the priorities for the HRA.

9.6. However, in the event that some of the current debt is required to be repaid, perhaps through one of the LOBO loans being called, the HRA may take this as an opportunity to reduce the overall level of debt and might not take further replacement borrowing, or it may seek to replace the debt.

9.7 Should the HRA need further long-term borrowing, the impact on the HRA business plan will be reviewed and this will be used to inform the borrowing mechanism pursued. Should the HRA require temporary borrowing, this will be sought from the General Fund. This is discussed further in Appendix J.

Borrowing Options

9.8. The Council's borrowing strategy will firstly utilise internal borrowing. Forgoing investment income at historically low rates provides the cheapest option. However as the overall forecast is for long term borrowing rates to increase over the next few years, consideration must also be given to weighing the short term advantage of internal borrowing against potential long term costs if long term borrowing is delayed. Rates are expected to be higher in future years for longer term loans, and therefore if longer term debt is required it may be prudent to take it earlier.

9.9. After this, new borrowing will be considered in the forms noted below. At the time of the borrowing requirement the options will be evaluated alongside their availability and an assessment made regarding which option will provide value for money. The options described below are not presented in a hierarchical order. At the point of seeking to arrange borrowing all options will be reviewed.

i Public Works Loan Board (PWLB)

PWLB borrowing is available for between 1 and 50 year maturities on various bases. This offers a range of options for new borrowing which will spread debt maturities away from a concentration in longer dated debt, and allow the Council to align maturities to MRP.

In the March 2012 Budget, the Chancellor announced the availability of a PWLB 'Certainty Rate' for local authorities, which could be accessed upon the submission of data around borrowing plans for individual authorities. The Council submitted its return in April 2015. The Certainty Rate allows a local authority to borrow from the PWLB at 0.20% below their published rates.

The Government has introduced a PWLB Infrastructure Rate to be borrowed at 0.40% below their published standard rates. To access the rate a bidding process will be employed and preference will be given to projects displaying high value for money. There will be two bidding rounds, one in Quarter 4 2017/18 and a second in Quarter 4 2018/19.

These reductions, alongside the flexibility the PWLB provides in terms of loan structures and maturity dates, together with the current lack of availability of market debt options, suggests that should long term borrowing be required, PWLB borrowing might provide the best value for money.
The Link forecast for the PWLB Certainty Rate is as follows:

Table 3	Mar 18	Jun 18	Sep 18	Dec 18	Mar 19	Mar 20
Bank Rate	0.50%	0.50%	0.50%	0.75%	0.75%	1.00%
5 yr PWLB rate	1.60%	1.60%	1.70%	1.80%	1.80%	2.10%
10 yr PWLB rate	2.20%	2.30%	2.40%	2.40%	2.50%	2.70%
25 yr PWLB rate	2.90%	3.00%	3.00%	3.10%	3.10%	3.40%
50 yr PWLB rate	2.60%	2.70%	2.80%	2.90%	2.90%	3.20%

A more detailed Link forecast is included in Appendix H to this report.

ii European Investment Bank (EIB)

Rates can be forward fixed for borrowing from the EIB and this will be considered if the arrangement represents better value for money. The Council has agreed a £100m facility with the EIB which will form part of the Council's future overall borrowing strategy. There has not been any advice from the EIB that post Brexit these arrangements will change.

The EIB's rates for borrowing are generally favourable compared to PWLB, allowing for existing planned future borrowing from PWLB to be replaced by cheaper funding from the EIB. The EIB appraises its funding plans against individual schemes, particularly around growth and employment and energy efficiency, and any monies borrowed are part of the Council's overall pooled borrowing.
The Council has the facility to September 2018 of taking up to £100m long term borrowing from the EIB, and EIB rates are currently below PWLB rates.

iii Third Party Loans

These are loans from third parties that are offered at lower than market rates, for example, Salix Finance Ltd is offering loans to the public sector at 0% to be used specifically to improve their energy efficiency and reduce carbon emissions.

iv Housing Investment Funding and the Homes and Communities Agency

Both HIF and HCA are DHCLG funding, see paragraphs 9.12-17 for further details.

v Inter-Local Authority advances

Both short and long term loans are often available in the inter Local Authority market.

vi Market Loans

There are usually various offers available from the general market.

9.10. These types of borrowing will need to be evaluated alongside their availability, particularly whilst there is a very limited availability of traditional market loans. The traditional market loans available tend to be Lender Option Borrower Option (LOBO) loans and they are not currently offered at competitive rates of interest. LOBOs provide the lender with future options to increase the interest rate, whilst the local authority has the option to repay if the increase in the rate is unacceptable to them.

9.11. Further to this, following HRA reform the vast majority of the Council's existing debt portfolio consists of LOBOs, and the Authority needs to consider diversifying its loan book to reduce the impact of any volatility that may cause these loans to be called. It should be noted, however, that the Council's current LOBO loans are unlikely to be called in the medium term at current interest rates.

Homes and Communities Agency Funding

9.12. The Homes and Communities Agency (HCA) has made £31.8m funding available to the City Council and this was received during the 3 years 2015/16 to 2017/18. The funding is, in effect, a 'loan' of the HCA's receipts from the disposal of its land and property within Greater Manchester (GM), as agreed in the GM City Deal. The funds can be used to invest in any project which supports GM City Deal objectives. Some of the funds will be passed on to other GM authorities for projects within their areas.

9.13. The funding from the HCA is held as an interest free loan, until such time as an investment approval is made. At this point, the approved element of the loan becomes risk-based, with the return to the HCA based on the performance of that investment. The funds are to be used for projects within Greater Manchester; the location depends on where the receipts originate from, and whether the receipt is due to the sale of residential or commercial property. Proceeds from commercial property will not be borough-specific, whereas proceeds from residential property will be.

9.14. The funds received are to be repaid to the HCA in March 2022. No interest will be charged to MCC for the receipt of the funds, however, should an investment made with HCA funds not be recovered, the loss is deducted from the amount due to HCA. Conversely, should any profit be made by an investment these will be added to the amount due to the HCA.

Housing Investment Funding (HIF)

9.15. The Council has arranged with the Homes and Communities Agency to receive housing investment funding on behalf of Greater Manchester. The funds will be treated as a loan to the Council in a similar manner to HCA funds as detailed in paragraphs 9.12-14. These monies will then be invested in housing related projects with any losses met by Government (up to 20%) or by guarantee from the ten Greater Manchester Local Authorities (including Manchester).

9.16. Total HIF funding of £300m has been agreed the Department for Communities and Local Government (DHCLG), of which £141.8m has been received to date. DHCLG require any HIF receipts that are not utilised by the financial year end to be returned on the 31st March. The return of these funds does not mean that the HIF financing is lost as it can be called down again starting in 2018/19.

9.17. The HCA and HIF funds will transfer to the GMCA once the Authority has been granted the statutory borrowing powers required. Following the transfer a revised Council Treasury Management Strategy Statement will be reported to Members as the transfer will impact on existing debt levels, forecast future debt, and therefore the prudential indicators which examine debt.

Sensitivity of the forecast

9.18. In normal circumstances the main sensitivities of the forecast are likely to be the two scenarios noted below. Council officers, in conjunction with the treasury advisors, will continually monitor both the prevailing interest rates and the market forecast, adopting the following responses to a change of sentiment:

- **If it were felt that there was a significant risk of a sharp FALL in long and short term rates**, e.g. due to a marked increase of risks around relapse into recession or of risks of deflation, then long term borrowings will be postponed.

- **If it were felt that there was a significant risk of a much sharper RISE in long and short term rates than that current forecast**, perhaps arising from a greater than expected increase in world economic activity or a sudden increase in inflation risks, the portfolio position will be re-appraised. The likely action will be that fixed rate funding will be drawn whilst interest rates were still relatively cheap.

External v. Internal borrowing

9.19. There is currently a difference of around £267m between the Council's General Fund gross debt and net debt, i.e. the gross debt after deducting cash balances. The current borrowing position reflects the historic strong Balance Sheet of the Council, as highlighted in Section 5. It enables net interest costs to be minimised and reduces credit risk by making temporary use of internal borrowing (reserves, provisions, positive cash flows, etc). The policy remains to keep cash as low as possible and minimise temporary investments.

9.20. The next financial year is again expected to be one of very low Bank Rate. This provides a continuation of the window of opportunity for local authorities to fundamentally review their strategy of undertaking new external borrowing.

9.21. Over the next three years, investment rates are expected to be significantly below long term borrowing rates and so value for money considerations would indicate that value could best be obtained by limiting new external borrowing and by using internal cash balances to finance new capital expenditure, or to replace maturing external debt. This is referred to as internal borrowing and maximises short term savings.

9.22. However, short term savings from avoiding new long term external borrowing in 2018/19 will also be weighed against the potential for incurring additional long term extra costs by delaying new external borrowing until later years when longer term rates are forecast to be significantly higher. Consideration will also be given to forward fixing rates whilst rates are favourable.

9.23. Against this background caution will be adopted within 2018/19 treasury operations. The City Treasurer will monitor the interest rate market and adopt a pragmatic approach to changing circumstances, reporting any decisions to the appropriate decision making body at the next available opportunity.

Policy on borrowing in advance of need

9.24. From a statutory point of view a Local Authority has the power to invest for 'any purpose relevant to its functions under any enactment, or for the purposes of the prudent management of its financial affairs.' DHCLG takes an informal view that local authorities should not borrow purely to invest at a profit. This does not prevent the Council temporarily investing funds borrowed for the purpose of expenditure in the reasonable near future.

9.25. This Council will not borrow in advance of need to on lend. Any decision to borrow in advance in support of strategic and service delivery objectives will be considered carefully to ensure value for money can be demonstrated and that the Council can ensure the security of such funds. In determining whether borrowing is undertaken in advance of need the Council will:

- ensure that there is a clear link between the capital programme and maturity profile of the existing debt profile which supports the need to take funding in advance of need;
- ensure the ongoing revenue liabilities created, and the implications for the future plans and budgets have been considered;
- evaluate the economic and market factors that might influence the manner and timing of any decision to borrow;
- consider the merits and demerits of alternative forms of funding;
- consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use; and
- consider the impact of borrowing in advance temporarily (until required to finance capital expenditure) increasing investment cash balances and the consequent increase in exposure to counterparty risk, and other risks, and the level of such risks given the controls in place to minimise them.

Forward Fixing

9.26. The Council will give consideration to forward fixing debt, whereby the Council agrees to borrow at a point in the future at a rate based on current implied market interest rate forecasts. There is a risk that the interest rates proposed would be higher than current rates, but forward fixing can be beneficial as the arrangement avoids the need to borrow in advance of need and suffer cost of carry. Any decision to forward fix will be reviewed for value for money, and will be reported to members as part of the standard treasury management reporting.

Debt rescheduling

9.27. It is likely that opportunities to reschedule debt in the 2018/19 financial year will be limited, particularly as the Council no longer holds any PWLB loans. This leaves the possibility of rescheduling other funding sources, such as market loans, but it should be stressed that the likelihood of any rescheduling remains very remote.

9.28. As short term borrowing rates will be considerably cheaper than longer term rates, there may be potential for some residual opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the size of the premiums incurred, their short term nature, and the likely cost of refinancing those short term loans once they mature, compared to the current rates of longer term debt in the existing debt portfolio.

9.29. The debt portfolio of the Council following HRA reform consists mainly of LOBOs, and the premia associated with rescheduling these make it unlikely that it will provide a cost effective rescheduling opportunity. This is because the premia will not only relate to the future interest payments associated with the loan, but also because the Council would need to compensate the lender for the buy-back of the interest rate options the loan has embedded in it.

9.30. The Council will continue to monitor the LOBO market and in particular opportunities to reschedule, redeem or effectively alter the profile of existing LOBO debt. The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings;
- helping to fulfil the strategy outlined above in this section;
- enhancing the balance of the portfolio (amending the maturity profile and/or the balance of volatility)

9.31. Any restructuring of LOBOs will only be progressed if it provides value for money for the Council, and reduces the overall treasury risk the Council faces, for example interest rate risk or credit risk. Members are requested to delegate authority to the City Treasurer, in consultation with the Executive Member for Finance to pursue any restructuring, rescheduling or redemption opportunities available, including amendments to the Treasury Management Strategy if the changes require it. Any changes required to the Strategy will be reported to Members at the earliest opportunity.

9.32. In 2017/18 the Council took up an opportunity to convert two of its LOBO loans with Barclays bank which mature in 2077 to a fixed loan basis. The removal of the loan options incurred no cost to the Council and a revised interest rate was agreed.

9.33. Consideration will also be given to identify if there is any residual potential left for making savings by running down investment balances to repay debt prematurely. It is likely short term rates on investments will be lower than rates paid on current debt.

9.34. All rescheduling will be reported to the Executive, as part of the normal treasury management activity reports.

Appendix 11 - Annual Investment Strategy

General Fund

Introduction

10.1. The Council will have regard to the DHCLG's Guidance on Local Government Investments (the Guidance) and the 2011 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes (the CIPFA TM Code). The Council's investment priorities are:

- the security of capital; and
- the liquidity of its investments.

10.2. The Council will also aim to achieve the optimum return on its investments commensurate with desired levels of security and liquidity. The risk appetite of the Council is low in order to give priority to the security of its investments.

10.3. The borrowing of monies by an Authority purely to invest or on-lend and make a return is unlawful and this Council will not engage in such activity. However the Council may provide loan finance funded from borrowing if such activity supports the achievement of the Council's strategies and service objectives.

10.4. These principles would be important in normal circumstances, however the Icelandic banks crisis, and the financial difficulties faced by UK and international banks that followed, have placed security of investments at the forefront of Treasury Management investment policy.

Changes to Credit Rating Methodology

10.5. Through much of the financial crisis the main rating agencies (Fitch, Moody's and Standard & Poor's) provided some institutions with a ratings 'uplift' due to implied levels of sovereign support (government backing should an institution fail).
In response to the evolving regulatory regime and the declining probability of government support, the rating agencies are removing these 'uplifts'. The result of this is that some institutions ratings have been downgraded by up to two notches.

10.6. The rating agency changes do not reflect any changes in the underlying status of the institution or credit environment, merely the removal of the implied levels of sovereign support that were built into ratings throughout the financial crisis. The removal of sovereign support is taking place now that the regulatory and economic environments have ensured that financial institutions are much stronger and less prone to failure in a financial crisis. As a result of these rating agency changes, the credit element of Link's future methodology focuses solely on the short and long term ratings of an institution, and officers believe that the Council should follow the same methodology.

10.7. The key change to the regulatory framework in respect of banks is the introduction of the European Union's Banking Recovery and Resolution Directive (BRRD).
In response to the banking crisis some governments used taxpayer funds to support banks in danger of failing. Now BRRD requires ‘bail-in’ to be applied in such a scenario. In the UK this means that after shareholders’ equity, depositors’ funds comprising balances over c£85k (linked to the value of the Euro) will be used to support a bank at risk. The £85k threshold is not available to local authorities and therefore all their bank deposits are at risk of bail-in. This increases the risk to the Council of holding unsecured cash deposits with banks and building societies.

Investment Policy

10.8. As previously, the Council will not just utilise ratings as the sole determinant of the quality of an institution. It is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end the Council will engage with its advisors to maintain a monitor on market pricing such as ‘credit default swaps’[1] and overlay that information on top of the credit ratings.

10.9. Investment in banks and building societies are now exposed to bail-in risk as described above and rather than increase investment in banks and building societies in practice lower limits for these investments were adopted in 2016/17. This is apart from the limit with Barclays bank; Barclays is the Council’s main banker and is the investment destination of last resort for the close of daily trading. These revised limits are interim operational changes and to preserve flexibility should circumstances change the overall investment limits approved for banks and building societies for 2017/18 will be maintained in 2018/19.

10.10. The investment constraint brought by bail-in risk means the Council needs to continue to identify ways that it can broaden and diversify its basis for lending. During 2017/18 as a consequence of the Government’s introduction of bail-in the Council decided to reduce its exposure by maintaining a lower level of bank deposits, the strategy saw a significant proportion of the Council’s investments placed with the Government (via the DMO) or with other Local Authorities. In the financial year 2017/18 to December 2017 an average of c. 94% of the investment portfolio was with the DMO and other Local Authorities. This highlights the relatively low credit risk that the Council takes when investing.

10.11. For 2018/19 investment the Council will consider trading in Money Market Funds, Treasury Bills, Certificates of Deposit and Covered Bonds. In addition

[1] A credit default swap is a financial instrument that effectively provides the holder insurance against a loan defaulting. The CDS spread is the difference between the price at which providers are willing to sell the swap, and the price at which buyers are willing to buy. A relatively high spread may suggest that the loan is more likely to default.

to diversification of the investment portfolio each of these options offer the Council benefits which are noted in paragraphs 10.25-33 below. Treasury Bills, Certificates of Deposit and Covered Bonds require the Council to have specific custodian and broker facilities which have been opened. Officers are working to monitor these markets to prompt participation in the instruments when rates are favourable. Work is continuing to open further access points to markets and to identify opportunities for benefit which are new to the Council.

10.12. It should be noted that, whilst seeking to broaden the investment base, officers will seek to limit the level of risk taken by the Council. It is not expected that the measures considered above will have a significant impact on the rates of return the Council currently achieves.

HRA

10.13. In order to maintain efficient, effective and economic treasury management for the Council as a whole, the HRA will only be able to invest with the General Fund. This is discussed further in Appendix J.

Specified and Non-Specified Investments

10.14. Investment instruments identified for use in the financial year are listed below, and are all specified investments. Any proposals to use other non-specified investments will be reported to Members for approval.

10.15. Specified investments are sterling denominated, with maturities up to a maximum of one year and meet the minimum 'high' rating criteria where applicable. Further details about some of the specified investments below can be found in later paragraphs in this Section.

Table 4	***Minimum 'High' Credit Criteria***	***Use***
*Term deposits – banks and building societies**	*See Para 10.9.*	*In-house*
Term deposits – other Local Authorities	*High security. Only one or two local authorities credit-rated*	*In-house*
Debt Management Agency Deposit Facility	*UK Government backed*	*In-house*
Certificates of deposit issued by banks and building societies covered by UK Government guarantees	*UK Government explicit guarantee*	*In-house*
Money Market Funds (MMFs)	*AAA_M*	*In-house*
Treasury Bills	*UK Government backed*	*In-house*
Covered Bonds	AAA	In-house

** Banks & Building Societies*
The Council will keep the investment balance below or at the maximum limit based on the institutions credit rating as detailed in paragraph 9.21. If this limit is breached, for example due to significant late receipts, the City Treasurer will be notified as soon as possible after the breach, along with the reasons for it. Please note this relates to specific investments and not balances held

within the Council's bank accounts, including the general bank account.

Creditworthiness policy

10.16. The Council applies the creditworthiness service provided by Link Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies; Fitch, Moody's and Standard & Poor's. Link supplement the credit ratings of counterparties with the following overlays:

- credit watches and credit outlooks from credit rating agencies
- Credit Default Swap spreads to provide early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries

10.17. This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads. The end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. This classification is called durational banding.

10.18. The Council has regard to Link's approach to assessing creditworthiness when selecting counterparties. It will not apply the approach of using the lowest rating from all three rating agencies to determine creditworthy counterparties. The Link creditworthiness service uses a wider array of information than just primary ratings and by using a risk weighted scoring system does not give undue preponderance to just one agency's ratings.

10.19. In summary therefore the Council will approach assessment of creditworthiness by using the Link counterparty list as a starting point, and then applying as an overlay its own counterparty limits and durations. All credit ratings will be monitored on a daily basis and re-assessed weekly. The Council is alerted to changes to ratings of all three agencies through its use of the Link creditworthiness service.

- if a downgrade results in the counterparty/investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
- in addition to the use of Credit Ratings, the Council will be advised of information in Credit Default Swap against the iTraxx benchmark[2] and other market data on a weekly basis. Extreme market movements may result in the downgrade of an institution or removal from the Council's lending list.

10.20. Sole reliance will not be placed on the use of this external service. In addition the Council will also use market data and market information, information on government support for banks and the credit ratings of that government

[2] The Markit iTraxx Senior Financials Index is a composite of the 25 most liquid financial entities in Europe. The index is calculated through an averaging process by the Markit Group and is used as the benchmark level of CDS spreads on Capita Asset Services' Credit List.

support. The Council will assess investments only against the criteria listed above, and will not seek to evaluate an organisation's ethical policies when making these assessments.

Investment Limits

10.21. In applying the creditworthiness policy described above, the Council holds the security of investments as the key consideration when making investment decisions. The Council will therefore only seek to make treasury investments with counterparties of high credit quality.

The financial investment limits of financial institutions will be linked to their short and long-term ratings (Fitch or equivalent) as follows:

Long Term	Amount
Fitch AA+ and above	£20 million
Fitch AA/AA-	£15 million
Fitch A+/A	£15 million
Fitch A-	£10 million
Fitch BBB+	£10 million

The Council will only utilise those institutions that have a short term rating of F2 or higher, (Fitch or equivalent).

UK Government (including the Debt Management Office)	£200 million
Greater Manchester Combined Authority	£200 million
Other Local Authorities	£20 million

In seeking to diversify from solely bank deposits and investments with Local Authorities, the Council will utilise other investment types which are described in more detail below. However it is important that the investment portfolio is mixed to help mitigate credit risk and therefore the following limits will apply to each asset type:

Total Deposit	**Amount**
Local Authorities	£250 million
UK Government - Debt Management Office - Treasury Bills	£200 million
Money Market Funds	£60 million
Certificates of Deposit	£25 million
Covered Bonds	£25 million

10.22. It may be prudent, depending on circumstances, to temporarily increase the limits shown above as in the current economic environment, it is increasingly difficult for officers to place funds. If this is the case officers will seek approval from the City Treasurer for such an increase and approval may be granted at the City Treasurer's discretion. Any increase in the limits will be reported to Members as part of the normal treasury management reporting process. It should be noted that any HCA funds invested with other local authorities will form part of the £20m limit detailed above.

Country Limits

10.23. The introduction of bail-in arrangements to support financial institutions should they get into difficulty means that the Council's exposure to bank and building society deposits should be limited, and that such deposits should form only part of a diversified investment portfolio for the Council to help mitigate the risk.

10.24. Previously, the Council's treasury management strategies have included investment limits to specific countries, such as those with a AAA rating. The introduction of bail-in arrangements suggests that less reliance can be placed on sovereign support for individual institutions, and therefore the country limits have been removed. The focus of credit rating evaluations will be on the individual banks, building societies and organisations.

Money Market Funds

10.25. The removal of the implied levels of sovereign support that were built into ratings throughout the financial crisis has impact on bank and building society ratings across the world. Rating downgrades can limit the number of counterparties available to the Council. To provide flexibility for the investment of surplus funds the Council will use Money Market Funds when appropriate as an alternative specified investment.

10.26. Money Market Funds are investment instruments that invest in a variety of institutions, therefore diversifying the investment risk. The funds are managed by a fund manager and they have objectives to preserve capital, provide daily liquidity and a competitive yield. The majority of money market funds invest both inside and outside the UK. Money Market Funds also provide flexibility as investments and withdrawals can be made on a daily basis.

10.27. Money Market funds are rated through a separate process to bank deposits. This looks at the average maturity of the underlying investments in the fund as well as the credit quality of those investments. It is proposed that the Council will only use Money Market Funds where the institutions hold the highest AAA credit rating.

10.28. As with all investments there is some risk with Money Market Funds in terms of the capital value of the investment. The Council will, therefore, only seek to use those funds which are either Constant Net Asset Value (CNAV) which provide a guarantee that every £1 invested will be returned, though the timing of the return is at the discretion of the Fund, or Low Volatility Net Asset Value (LVNAV) where there may be movements in capital value, but these are expected to be minor.

Treasury Bills

10.29. Treasury Bills are marketable securities issued by the UK Government and as such counterparty and liquidity risk is relatively low, although there is potential risk to value arising from an adverse movement in interest rates unless they are held to maturity.

10.30. Weekly tenders are held for Treasury Bills so the Council could invest funds on a regular basis, based on projected cash flow information. This would provide a spread of maturity dates and reduce the volume of investments maturing at the same time.

10.31. There is a large secondary market for Treasury Bills so it is possible to trade them in earlier than the maturity date if required; and also purchase them in the secondary market. It is anticipated however that in the majority of cases the Council will hold to maturity to avoid any potential capital loss from selling before maturity. The Council will only sell the Treasury Bills early if it can demonstrate value for money in doing so.

Certificates of Deposit

10.32. Certificates of Deposit are short dated marketable securities issued by financial institutions, and as such counterparty risk is low. The instruments have flexible maturity dates, so it is possible to trade them in early if necessary, however there is a potential risk to capital if they are traded ahead of maturity and there is an adverse movement in interest rates. Certificates of Deposit are subject to bail-in risk as they are given the same priority as fixed deposits if a bank was to default. The Council would only deal with Certificates of Deposit that are issued by banks which meet the credit criteria.

Covered Bonds

10.33. Covered Bonds are debt instruments secured by assets such as mortgage loans. They are issued by banks and other non-financial institutions. The loans remain on the issuing institutions Balance Sheet and investors have a preferential claim in the event of the issuing institution defaulting. All issuing institutions are required to hold sufficient assets to cover the claims of all covered bondholders. The Council would only deal with bonds that are issued by banks which meet the credit criteria, or AAA rated institutions, (e.g. insurance companies).

Liquidity

10.34. Based on cash flow forecasts, the level of cash balances in 2018/19 is estimated to range between £0m and £230m. The higher level can arise where for instance large Government grants are received, or long term borrowing has recently been undertaken.

Investment Strategy to be followed in-house

Link's view of forecast Bank Rate is noted at Section 8. The current economic outlook viewed by Link is that the structure of market interest rates and government debt yields have several key treasury management implications:

- The Bank of England has adopted a more aggressive tone in its provision of guidance to financial markets. In addition to the 0.25% rise in Bank Rate in November 2017, the Bank has indicated it expects to increase Bank Rate twice more in the next three years to reach 1.0% by 2020. This action may be in response to concern about inflationary pressure in the next few years.

- Link's view is that Bank Rate will continue at its current rate of 0.50% until rising to a predicted 0.75% in December 2018, thereafter rising to 1.00% in December 2019 and to 1.25% in September 2020.

- Forecasting as far ahead as 2020 is difficult as there are many potential economic factors which could impact on the UK economy. There are also political developments in the UK, (especially over the terms of Brexit), EU, US and beyond which could have a major impact on forecasts;

- Investment returns are likely to remain relatively low during 2018/19 and beyond;

- Growth in the Eurozone after several years of depression following the financial crisis started to improve from 2016 and now has substantial strength. However the European Central Bank is struggling to achieve its 2% inflation target and therefore rates will possibly not start to rise until 2019.

There will remain a cost of carry to any new borrowing which causes an increase in investments as this will incur a revenue loss between borrowing costs and investment returns.

10.35. The Council will avoid locking into longer term deals while investment rates are at historically low levels, this is unless attractive rates are available with counterparties of particularly high creditworthiness which make longer term deals worthwhile and within the risk parameters set by the Council.

10.36. For 2018/19 it is suggested that the Council should budget for an investment return of 0.25% on investments placed during the financial year. For cash flow generated balances, the Council will seek to utilise its business reserve accounts and short-dated deposits (overnight to three months) in order to benefit from the compounding of interest.

End of year Investment Report

10.37. At the end of the financial year, the Council will receive a report on investment activity as part of the Annual Treasury Report.

Policy on the use of External Service Providers

10.38. The Council uses Link Asset Services as external treasury management advisors and has access to another provider who is an approved supplier should a second opinion or additional work be required. The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon its external service providers.

10.39. The Council recognises there is value in employing external providers of treasury management services to acquire access to specialist skills and resources. It will ensure the terms of the Advisor’s appointment and the methods by which their value is assessed are properly agreed and documented, and subjected to regular review.

Appendix 12 - COUNCIL TAX RESOLUTION

SETTING THE AMOUNT OF COUNCIL TAX FOR THE COUNCIL'S AREA

RESOLVED

1. That the estimates prepared by the Executive at its meeting on 7 February 2018 be approved.

2. That it be noted that the City Treasurer acting under delegated powers has determined the amount of 112,965 as the Council Tax base for Manchester for the year 2018/19 in accordance with Section 31A(3) of the Local Government Finance Act 1992 and regulations 3 to 5 of the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012.

3. That the following amounts be now calculated by the Council for the year 2018/19 in accordance with Sections 31A to 36 of the Local Government Finance Act 1992:-

(a) £1,698,124,242 being the aggregate of the amounts which the Council estimates for the items set out in the Section 31A(2)(a) to (f) of the Act.

(b) £1,548,497,760 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3)(a) to (d) of the Act.

(c) £149,626,482 being the amount by which the aggregate at 3(a) above exceeds the aggregate at 3(b) above, calculated by the Council, in accordance with Sections 31A(4) of the Act, as its council tax requirement for the year.

(d) £1,324.54 being the amount at 3(c) above divided by the amount at 2 above, calculated by the Council in accordance with Section 31B(1) of the Act, as the basic amount of its council tax for the year.

(e) Valuation Bands:

A	B	C	D	E	F	G	H
£883.03	£1,030.20	£1,177.37	£1,324.54	£1,618.88	£1,913.22	£2,207.57	£2,649.08

being the amount given multiplying the amount at 3(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.

4. That it be noted that for the year 2018/19 the major precepting authorities have 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 dwellings shown below:-

Precepting Valuation bands

Greater Manchester Mayoral Police and Crime Commissioner Precept

A	B	C	D	E	F	G	H
£116.20	£135.57	£154.93	£174.30	£213.03	£251.77	£290.50	£348.60

Greater Manchester Mayoral General Precept (including Fire Services)

A	B	C	D	E	F	G	H
£45.29	£52.84	£60.39	£67.95	£83.05	£98.15	£113.24	£135.90

5. That, having calculated the aggregate in each case of the amounts at 3(e) and 4 above, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of Council Tax for the year 2018/19 for each of the categories of dwellings shown below.

Valuation bands

A	B	C	D	E	F	G	H
£1,044.52	£1,218.61	£1,392.69	£1,566.79	£1,914.96	£2,263.14	£2,611.31	£3,133.58

1. CALCULATING THE COUNCIL TAX REQUIREMENT
Section 31A Calculations

1.1 Section 31A of the Local Government Finance 1992 requires the Council to make three calculations:-

(i) an estimate of the Council's required gross revenue expenditure -Section 31A(2)
(ii) an estimate of its anticipated income (excluding that from council tax) and of reserves to be used to aid the revenue account - Section 31A(3)
(iii) a calculation of the difference between (i) and (ii) above, (i.e. the Council Tax requirement) - Section 31A(4)

1.2 In its Section 31A(2) calculation the Council is required to allow for the following:

Section 31A(2)(a) - the estimated revenue account expenditure it will incur during the year in performing its functions

Section 31A(2)(b) - an appropriate allowance for contingencies for the year, e.g. for unforeseen occurrences such as disasters, storm damage, higher than expected inflation etc.

Section 31A(2)(c) - any raising of financial reserves for future expenditure - examples of this include payments into a redemption fund, internal insurance etc.;

Section 31A(2)(d) - any revenue account deficit for a previous financial year which has not yet been provided for;

Section 31A(2)(da) – any amount estimated to be transferred from the general fund to the collection fund in accordance with regulations by reference to sums received by the authority in respect of business rates;

Section 31A(2)(e) - any amount estimated to be transferred from the General Fund to the Collection Fund in accordance with Section 97(4) of the Local Government Finance Act 1988 - i.e. the Council's share of any collection fund deficit;

Section 31A(2)(f) - any amounts estimated to be transferred from the General Fund to the Collection Fund by direction of the Secretary of State under Section 98(5) of the Local Government Finance Act 1988 - including an estimate of the shortfall in the collection of Non-domestic Rates in excess of the allowance.

1.3. In its Section 31A(3) calculation the Council must calculate the aggregate of sums to be put against gross expenditure, namely:

Section 31A(3)(a) - estimated income from fees, charges, and government grants (including RSG) plus other sums payable into the general fund (but excluding council tax);

Section 31A(3)(aa) – Any amount estimated to be transferred from the collection fund to the general fund in accordance with regulations by reference to sums received by the authority in respect of business rates;

Section 31A(3)(b) - any amount estimated to be transferred from the Collection Fund to the General Fund in accordance with Section 97(3) of the Local Government Finance Act 1988 - i.e. the Council's share of any collection fund surplus;

Section 31A(3)(c) - sums to be transferred from the Collection Fund to the General Fund pursuant to a direction of the Secretary of State under Section 98(4) of the Local Government Finance Act 1988 - including allowances for costs of collection of business rates;

Section 31A(3)(d) - the amount of financial reserves/balances which the authority intends to use towards meeting its revenue expenditure.

1.4 On the basis of current estimates, the calculations would be as follows: -

	HRA £	Other £	Total £
Expenditure			
Section 31A(2)(a)	£91,652,000	£1,533,192,242	£1,624,844,242
Section 31A(2)(b)	£0	£3,103,000	£3,103,000
Section 31A(2)(c)	£0	£70,177,000	£70,177,000
Section 31A(2)(d)	£0	£0	£0
Section 31A(2)(da)	£0	£0	£0
Section 31A(2)(e)	£0	£0	£0
Section 31A(2)(f)	£0	£0	£0
	£91,652,000	£1,606,472,242	£1,698,124,242
Income			
Section 31A(3)(a)	(£85,498,000)	(£1,036,596,101)	(£1,122,094,101)
Section 31A(3)(aa)	£0	(£315,205,000)	(£315,205,000)
Section 31A(3)(b)	£0	(£26,404,000)	(£26,404,000)
Section 31A(3)(c)	£0	(£1,130,659)	(£1,130,659)
Section 31A(3)(d)	(£6,154,000)	(£77,510,000)	(£83,664,000)
	(£91,652,000)	(£1,456,845,760)	(£1,548,497,760)

1.5 Council Tax Requirement under Section 31A(4) being the amount by which the aggregate under Section 31A(2) exceeds the aggregate under Section 31A(3) is £149,626,482

2. CALCULATING THE BASIC AMOUNT OF COUNCIL TAX

2.1. Section 31B of the Local Government Finance Act 1992 requires the Council to calculate the basic amount of its Council Tax - this is in effect the City Council element of the Band D Council tax.

2.2 This calculated by applying the following formula -

Where:

R is the Council Tax requirement, and

T is the approved Council Tax base

2.3 Calculating the Basic Amount of Council Tax

Council Tax Requirement	£149,626,482
Divided by:	
Council Tax Base	112,965

Band D Basic Amount of Council Tax is: £1,324.54

Appendix – 13 - Prudential Indicators 2018/19 to 2020/21

Last years approved figures are shown in brackets.

Treasury Management Indicators	2018-19		2019-20		2020-21
	£m		£m		£m
Authorised Limit - external debt					
Borrowing	1,454.8	(1,555.4)	1,672.7	(1,595.7)	1,684.5
other long term liabilities	216.0	(216.0)	216.0	(216.0)	216.0
TOTAL	1,670.8	(1,771.4)	1,888.7	(1,811.7)	1,900.5
Operational Boundary - external debt					
Borrowing	1,146.7	(1,159.8)	1,381.4	(1,412.9)	1,435.0
other long term liabilities	216.0	(216.0)	216.0	(216.0)	216.0
TOTAL	1,362.7	(1,375.8)	1,597.4	(1,628.9)	1,651.0
Actual external debt	951.7	(936.6)	1,192.0	(1,258.7)	1,259.6
Upper limit for total principal sums invested for over 364 days	0	(0)	0	(0)	0
Upper limit for fixed interest rate exposure					
Net borrowing at fixed rates as a % of total net borrowing	100%	(96%)	100%	(100%)	100%
Upper limit for variable interest rate exposure					
Net borrowing at variable rates as a % of total net borrowing	85%	(92%)	93%	(97%)	95%
Capital Expenditure					
Non - HRA	568.0	(451.0)	455.5	(450.1)	160.1
HRA	27.5	(42.1)	41.9	(39.8)	44.3
TOTAL	595.5	(493.1)	497.4	(489.9)	204.4
Capital Financing Requirement (as at 31 March)					
Non – HRA	1,409.6	(1,267)	1,664.4	(1,527)	1,730.5
HRA	281.7	(269)	298.1	(282)	299.3
TOTAL	1,691.3	(1,536)	1,962.5	(1,809)	2,029.8

Appendix 14 – Collection Fund Budget 2018/19

COLLECTION FUND BUDGET 2018/19	**Budget Estimate £'000**
EXPENDITURE	
COUNCIL TAX	
(Surplus) / Deficit B/fwd	(11,789)
Precepts:	
- Mayoral General (including Fire Services)	7,676
- Mayoral Police & Crime Commissioner	19,690
- City of Manchester	149,626
Total Precepts	176,992
Council Tax Total Expenditure	**165,203**
BUSINESS RATES	
(Surplus) / Deficit B/fwd	(23,087)
Payments/Transfers:	
- Mayoral General (including Fire Services)	3,248
- City of Manchester	321,573
Total Payments/transfers	324,821
Business Rates Total Expenditure	**301,734**
Collection Fund Total Expenditure	**466,937**
INCOME	
COUNCIL TAX	
Council Tax Income	184,912
Write Off of uncollectable amounts	(1,500)
Allowance for Impairment	(6,419)
Council tax receivable	176,992
Contribution of Council Tax (surplus) / deficit:	
- Mayoral General (including Fire Services)	(470)
- Mayoral Police & Crime Commissioner	(1,275)
- City of Manchester	(10,044)
Total Contribution to Council Tax (surplus) / deficit	(11,789)
Council Tax Total Income	**165,203**

COLLECTION FUND BUDGET 2018/19	**Budget Estimate £'000**
<u>BUSINESS RATES</u>	
Non Domestic Business Rates Income	369,768
Cost of Collection Allowance	(1,131)
Losses in Collection	(7,426)
Increase in Provision for Appeals	(36,390)
Business rates receivable	324,821
Contribution of Business Rates (surplus) / deficit:	
- Mayoral General (including Fire Services)	(231)
- City of Manchester	(16,359)
- Central Government	(6,497)
Total Contribution to Business Rates (surplus)/deficit	(23,087)
Business Rates Total Income	**301,734**
Collection Fund Total Income	**466,937**
MOVEMENT ON FUND BALANCE	
Council Tax (Surplus) / Deficit C/fwd	0
Business Rates (Surplus) / Deficit Cfwd	0
Collection Fund (Surplus) / Deficit	**0**