

**Manchester City Council  
Report for Resolution**

**Report to:** Resources and Governance Scrutiny Committee –  
1 March 2018

**Subject:** Overview Report

**Report of:** Governance and Scrutiny Support Unit

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**Summary**

This report provides the following information:

- Recommendations Monitor
- Key Decisions
- Work programme
- Items for information

**Recommendation**

The Committee is invited to discuss the information provided and agree any changes to the work programme that are necessary.

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**Contact Officer:**

Name: Mike Williamson  
Position: Team Leader- Scrutiny Support  
Telephone: 0161 234 3071  
E-mail: m.williamson@manchester.gov.uk

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**Wards Affected:** All

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**Background documents (available for public inspection):**

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy please contact one of the contact officers above.

None

## 1. Monitoring Previous Recommendations

This section of the report contains recommendations made by the Committee and responses to them indicating whether the recommendation will be implemented, and if it will be, how this will be done.

Items highlighted in grey have been actioned and will be removed from future reports.

Date	Item	Recommendation	Action	Contact Officer
20 July 2017	RGSC/17/37 Council Tax Support Scheme – Treatment of payments from the We Love Manchester Emergency Fund and London Emergency Trust	To request that the City Treasurer, Head of Revenue and Benefits and the Executive Member for Finance and Human Resources investigate whether there is a suitable mechanism that the Council could use to inform other local authorities of residents who were living in their areas that were in receipt either payment.	A response to this recommendation has been requested and will be reported back once received.	Carol Culley City Treasurer  Julie Price Head of Revenues, Benefits and Shared Services
12 October 2017	RGSC/17/52 Greater Manchester Combined Authority Governance	To request that Committee Members are provided with the report on the governance arrangements for the transportation arrangements that are being put in place	This report will be provided to Members when it becomes available	Liz Treacy City Solicitor

<p>9 November 2017</p>	<p>RGSC/17/60 The Roll out of Universal Credit Full Service in Manchester</p>	<p>To circulate an item for information on the ability for DWP to split UC payments.</p>	<p>Officers to provide an item for information when further information from DWP becomes available</p>	<p>Julie Price</p>
<p>7 December 2017</p>	<p>RGSC/17/63 Chancellors Autumn Budget update</p>	<p>Requests further information from the City Treasurer on the £3.5bn additional funding (of which £2.6bn will be for local Sustainability and Transformation Partnerships (STPs)) in relation to the capital investment in NHS frontline services.</p> <p>Requests that the City Treasurer circulate the allocations letter in relation to the DFG to Members of the Committee; and</p> <p>Requests an update from the City Treasurer on the Mayoral Capacity Funding at an appropriate time.</p>	<p>Information to be provided to Members as soon as possible</p>	<p>Carol Culley</p>

<p>4 Jan 2016</p>	<p>RGSC/18/02 Capital Strategy Governance and Approval Process</p>	<p>To request that the responses to the DCLG consultation and the revised to CIPFA's Prudential and Treasury Management Codes are circulated to the Committee</p> <p>To request an item of information on how Manchester's Capital Approval Process compares to other Core Cities and the outcome of the Peer Review Process</p>	<p>Information to be provided to Members as soon as possible</p> <p>A response to this recommendation has been requested and will be reported back once received.</p>	<p>Janice Gotts</p> <p>Janice Gotts/Carol Culley</p>
<p>4 Jan 2018</p>	<p>RGSC/18/03 The Council's Operational Property Strategy</p>	<p>To request that Ward Members are provided with a briefing of the services to be delivered from the 12 multi-disciplinary Place Based Hubs which their residents will access</p> <p>To request an item of information on the cost comparisons of modular hubs at Hammerstone Road as opposed to a change of use of the existing building</p>	<p>A response to this recommendation has been requested and will be reported back once received.</p> <p>Information to be provided to Members as soon as possible</p>	<p>Carolyn Kus/David Regan/Nikki Parker</p> <p>Eddie Smith/Richard Munns</p>

1 Feb 2018	RGSC/18/08 Our Manchester Voluntary and Community Sector (OMVCS) Funding Programme: Review of Governance Arrangements	To request that Officers submit an update on the governance arrangement of the fund report to a future meeting	An item will be placed on the Committees Work Programme to be scheduled for a future meeting	Mike Williamson
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## 2a. Key Decisions

The Council is required to publish details of key decisions that will be taken at least 28 days before the decision is due to be taken. Details of key decisions that are due to be taken are published on a monthly basis in the Register of Key Decisions.

A key decision, as defined in the Council's Constitution is an executive decision, which is likely:

- To result in the Council incurring expenditure which is, or the making of savings which are, significant having regard to the Council's budget for the service or function to which the decision relates, or
- To be significant in terms of its effects on communities living or working in an area comprising two or more wards in the area of the city.

The Council Constitution defines 'significant' as being expenditure or savings (including the loss of income or capital receipts) in excess of £500k, providing that is not more than 10% of the gross operating expenditure for any budget heading in the in the Council's Revenue Budget Book, and subject to other defined exceptions.

An extract of the most recent Register of Key Decisions, published on **16 January 2018**, containing details of the decisions under the Committee's remit is included below. This is to keep members informed of what decisions are being taken and, where appropriate, include in the work programme of the Committee.

### Directorate - Corporate Services

Decision title	What is the decision?	Decision maker	Planned date of decision	Documents to be considered	Contact officer details
Strategic Land Acquisition  Ref: 15/003	The approval of capital expenditure.	City Treasurer	January 2018 or later	Gateway 5 (procurement document)	Sean McGonigle 0161 234 4821 s.mcgonigle@manchester.gov.uk

<b>Decision title</b>	<b>What is the decision?</b>	<b>Decision maker</b>	<b>Planned date of decision</b>	<b>Documents to be considered</b>	<b>Contact officer details</b>
Collyhurst Regeneration Ref: 15/005	The approval of capital expenditure.	City Treasurer	January 2018 or later	Gateway 5 (procurement document)	Sean McGonigle 0161 234 4821 s.mcgonigle@manchester.gov.uk
Depots Programme Ref: 15/007	The approval of capital expenditure.	City Treasurer	January 2018 or later	Gateway 5 (procurement document)	Julie McMurray Tel: 0161 234 6702 j.mcmurray@manchester.gov.uk
Factory Project Ref: 15/012	The approval of capital expenditure.	City Treasurer	January 2018 or later	Gateway 5 (procurement document)	Dave Carty 0161 219 6501 d.carty@manchester.gov.uk
CCTV Policy Ref: 15/019	To adopt a CCTV policy for the city.	The Executive	January 2018 or later	Report and recommendation	Poornima Karkera Principal Solicitor Tel: 0161 234 3719 p.karkera@manchester.gov.uk
Allocation of Central Contingencies/ Reserves Ref: 15/023	To fund currently unplanned expenditure or expenditure the exact amount of which has yet to be determined.	The Executive	January 2018 or later	Report to the Executive as part of the Global Monitoring Report	Carol Culley City Treasurer Tel: 0161 234 3590 carol.culley@manchester.gov.uk
Allocations for General/Earmarked Reserves Ref: 15/024		The Executive	January 2018 or later	Report and recommendation	Carol Culley City Treasurer Tel: 0161 234 3590 carol.culley@manchester.gov.uk

Decision title	What is the decision?	Decision maker	Planned date of decision	Documents to be considered	Contact officer details
Clean and Green Fund Ref: 15/025	Long-term improvements to cleanliness and environment of the city.	City Treasurer	January 2018 or later	Requests from Growth and Neighbourhoods Directorate	Carol Culley City Treasurer Tel: 0161 234 3590 carol.culley@manchester.gov.uk
Leisure Services – External Ref: 2016/02/01C	The approval of capital expenditure.	City Treasurer	January 2018 or later	Gateway 5 procurement document	Lee Preston 07852957286 l.preston2@manchester.gov.uk
Capital Investment in schools Ref: 2016/02/01D	The approval of capital expenditure.	City Treasurer	January 2018 or later	Gateway 5 (procurement document)	Amanda Corcoran Interim Director of Education and Skills Tel: 0161 234 4314 a.corcoran@manchester.gov.uk
Our Manchester Strategy 2016-19 Ref: 2016/01/14	To adopt the "Our Manchester ICT Strategy 2016-19".	The Executive	January 2018 or later	Our Manchester ICT Strategy 2016-19	Bob Brown CIO Information, Communication and Technology Tel: 0161 234 5998 bob.brown@manchester.gov.uk
Construction and Property Professional Services Framework	To seek approval to award Framework Agreements a range of	Chief Executive in consultation	Phased in batches of Lots according	Confidential contract report with recommendations	John Finlay 0161 219 6530 j.finlay@manchester.gov.uk



Decision title	What is the decision?	Decision maker	Planned date of decision	Documents to be considered	Contact officer details
<p>(CAPPS) for the Capital Programmes and Property Dept.</p> <p>Contract TC859</p> <p>Ref: 2016/07/21</p>	<p>professional services in connection with construction and property related matters. This will consist of 21 individual Framework Lots, each relating to a specific professional discipline, for the use of the Capital Programmes and Property Dept. Each will operate for 2 years with an option to extend for up to a further 2 years. The anticipated commencement dates for various Lots are phased between August and October 2016.</p>	<p>with the City Treasurer</p>	<p>to priority, between September 2016 and September 2017 or later</p>	<p>and supporting documents.</p>	<p>Neil Davies 0161 234 3005 n.davies@manchester.gov.uk</p>
<p>Provision of licences for improved SAP provision</p> <p>Ref: 2017/02/02A</p>	<p>To seek approval to award a contract to a single supplier for licence provision allowing the Council access to an improved SAP interface.</p>	<p>City Treasurer in consultation with the Chief Executive</p>	<p>January 2018 or later</p>	<p>Confidential contract report with recommendations</p>	<p>Bob Brown Chief Information Officer Tel: 0161 234 5998 Bob.brown@manchester.gov.uk</p> <p>Michael Shields Procurement Manager Tel: 0161 234 1009</p>

Decision title	What is the decision?	Decision maker	Planned date of decision	Documents to be considered	Contact officer details
					m.shields@manchester.gov.uk
Carbon Reduction Programme Ref:2017/06/30C	The Approval of Capital Spend in order to achieve a reduction in carbon emissions	City Treasurer	January 2018 or later	Gateway 5	Julie McMurray Strategic Development 0161 219 6791 Mobile : 07950 790533 j.mcmurray@manchester.gov.uk
Estates Transformation Ref:2017/06/30D	The approval of capital spend to ensure that the operational estate is fit for purpose	City Treasurer	January 2018 or later	Gateway 5	Julie McMurray Strategic Development 0161 219 6791 Mobile : 07950 790533 j.mcmurray@manchester.gov.uk
Framework Agreement for Senior Recruitment Ref:2017/06/30E	The appointment of Agencies to deliver Temporary and Permanent Senior Recruitment services	Deputy Chief Executive (People)	January 2018 or later	Report & Recommendation	Mike Worsley Procurement Manager mike.worsley@manchester.gov.uk 0161 234 3080
The supply and delivery of waste and recycling containers (Contract TC922) Ref: 2017/09/04A	To seek approval to award a framework for the provision of waste and recycling containers. This will be split into 6 lots as follows:  Lot 1 Caddy Liners	City Treasurer	January 2018 or later	Confidential contract report with recommendations	Stephen Polese Procurement Officer s.polese@manchester.gov.uk

Decision title	What is the decision?	Decision maker	Planned date of decision	Documents to be considered	Contact officer details
	Lot 2 Food waste containers Lot 3 Plastic wheeled bins Lot 4 Bin Liners Lot 5 Galvanised metal wheeled bins Lot 6 Split recycling bags				
Security Services (Contract TC888)  Ref:2017/09/04B	To seek approval to appoint a company/s for the provision of Security Services, covering all city requirements within Manchester.  The contract will be for a 3 year period with the option to extend for a further 2 years.	City Treasurer in consultation with the Chief Executive	January 2018 or later	Confidential contract report with recommendations	Steve Southern Head of Facilities Management Corporate Estates Team 0161 234 3683 s.southern@manchester .gov.uk  Colin Butterworth Senior Procurement Officer 0161 234 3434 c.butterworth@manchester.gov.uk
Lincoln Square/Brazenose St  Ref: 2017/12/04A	To approve the signing of a collaboration agreement among landowners, as a precursor to the Council investing £1.2m of a total of	City Treasurer	January 2018	Draft collaboration agreement  Draft public realm development plans  High level cost	Pat Bartoli Head of City Centre Growth and Regeneration 0161 234 3329 p.bartoli@manchester.gov.uk

Decision title	What is the decision?	Decision maker	Planned date of decision	Documents to be considered	Contact officer details
	£4.08m in a new public square and public realm.			schedule	
The Provision of a Debit / Credit Card Service  Ref: 2017/10/02B	To seek approval to award a framework agreement to a single supplier for the provision of a Debit / Credit Card Service	City Treasurer and Chief Executive	January 2018 or later	Confidential contract report with recommendations	Julie Price Head of Revenues and Benefits, Shared Services and Customer Services 0161 953 8202 j.price2@manchester.gov.uk  Samantha Wilson Senior Procurement Officer 0161 234 4368 samantha.wilson@manchester.gov.uk
Asset Management Programme  Ref: 15/001 (2017/10/02)	The approval of capital expenditure for the maintenance of the council's assets	City Treasurer	January 2018 or later	Gateway 5 (procurement document)	Julie McMurray Head of Client Relationships Tel no:01612346702 j.mcmurray@manchester.gov.uk
Our Town Hall – Fees for the Specialist Consultants & Client side costs  Ref: 2017/11/01A	Approval to spend for the client side team to the end of the programme and the appointment of consultants to the technical assurance work and other specialist advisers	City Treasurer	January 2018 or later	Executive Reports 16th November 2016- The Refurbishment of Manchester Town Hall & Albert Square 11th January 2017–Capital	Paul Candellent Project Director-Our Town Hall  0161 234 1401 p.candellent@manchester.gov.uk

Decision title	What is the decision?	Decision maker	Planned date of decision	Documents to be considered	Contact officer details
	after RIBA stage 2			Programme Budget 2017/18-2021/22 8TH March 2017- Manchester Town Hall & Albert Square Our Town Hall	
Property Insurance (excluding Insurance Broking)  Ref: 2017/11/01C	Appointment of a provider to deliver Property Insurance Services	City Treasurer	February 2018	Contract Report and recommendations	Louise Causley Procurement Officer 0161 234 4290 l.causley@manchester.gov.uk
Greater Manchester Waste Disposal Authority (GMWDA) - GM Waste Disposal Levy Allocation Methodology and Approval of a Revised Levy Allocation Model	Approve the revised GMWDA Levy Apportionment Methodology Agreement which is to be applied in full from 2019/20 and with transitional arrangements for 2018/19.	City Solicitor	January 2018	GMWDA Waste Management Levy Allocation Methodology (LAMA) Agreement	Fiona Worrall 0161 234 3926 f.worrall@manchester.gov.uk
Heaton Park Pay and Display	The approval of capital expenditure to install parking meters, relevant signage and	City Treasurer	January 2018	Gateway 5 (procurement document) and Business Case	Kylie Ward 0161 234 4961 k.ward@manchester.gov.uk

Decision title	What is the decision?	Decision maker	Planned date of decision	Documents to be considered	Contact officer details
	drainage, tarmac and other works to formalise the existing car parks.				
Heron House Refurbishment	The approval of capital expenditure for the purpose of refurbishment works to office space including the Registrars in Heron House	City Treasurer	January 2018	Gateway 5 (procurement document) and Business Case	Dominic Hayes 0161 234 1292 dominic.hayes@manchester.gov.uk
Framework Agreement for Travel Services	The appointment of companies to deliver travel services	City Treasurer	January 2018	Report & Recommendation	Louise Causley Procurement Officer louise.causley@manchester.gov.uk 0161 234 4290
Provision of Gully Cleansing Framework 2017/12/131	To seek approval to award a framework contract to a maximum of 3 suppliers to provide Gully Cleansing services to the Council	City Treasurer in consultation with the Director of Highways	January 2018	Confidential contract report with recommendations	Kim Dorrington Strategic Director (Highways, Transport and Engineering) Tel: 0161 234 4828 k.dorrington@manchester.gov.uk  Michael Shields Procurement Manager Tel: 0161 234 1009 m.shields@manchester.gov.uk

Decision title	What is the decision?	Decision maker	Planned date of decision	Documents to be considered	Contact officer details
Our Town Hall – fit out of Royal Exchange for decant  2017/12/13K	Approval to spend	City Treasurer	January 2018	Report and recommendations	Richard Munns Head of Corporate Estate  0161 245 7226 r.munns@manchester.gov.uk
Planned Preventative Maintenance (PPM) and reactive repairs  Ref:2018/01/31A	To seek approval to award a contract to a single supplier to carry out repairs to Public Buildings within Manchester	City Treasurer	August 2018	Confidential Contract Report with recommendation	Jared Allen Interim Director of Capital Programmes Tel: 0161 234 5683 j.allen4@manchester.gov.uk  Stephen Polese Procurement Officer 0161 234 3265 s.polese@manchester.gov.uk

### Directorate – Chief Executives

Decision title	What is the decision?	Decision maker	Planned date of decision	Documents to be considered	Contact officer details
Factory/St. John's	Approval of the approach to delivery of Factory/St John's including all commercial and property transactions, contractual, delivery and operational arrangements together	Chief Executive	February 2018	Will include legal agreements relating to the delivery of both Factory and St. John's developments including property transactions,	Dave Carty Development Manager 0161 234 5908 d.carty@manchester.gov.uk

Decision title	What is the decision?	Decision maker	Planned date of decision	Documents to be considered	Contact officer details
	with capital funding arrangements and all ancillary agreements			delivery and operational arrangements, the Management and Works contracts and all associated ancillary agreements	

**Decisions that were taken before the publication of this report are marked \* (none)**



### 3. Resources and Governance Scrutiny Committee - Work Programme – March 2018

Thursday 1 March 2018, 2.00pm (Report deadline Tuesday 20 February 2018)				
Item	Purpose	Executive Member	Strategic Director / Lead Officer	Comments
Overview Report	The monthly report includes the recommendations monitor, relevant key decisions, the Committee's work programme and any items for information.		Mike Williamson	.
Restrictions on Events and Publicity at Elections and Referendums	To receive an item for information regarding the generic guidance requested.	Councillor Leese	Liz Treacy	See minutes 3 January 2017
Delivering the Our Manchester Strategy	This report provides an overview of work undertaken and progress towards the delivery of the Council's priorities as set out in the Our Manchester Strategy for those areas within the portfolio of the Executive Member for Finance and HR	Councillor Flanagan	Councillor Flanagan	

<b>Wednesday 24 May 2018, 2.00pm (Report deadline Tuesday 15 May 2018)</b>				
<b>Item</b>	<b>Purpose</b>	<b>Lead Executive Member</b>	<b>Strategic Director/ Lead Officer</b>	<b>Comments</b>
Overview and key issues	Report and presentation on the upcoming issues and challenges within the Committee's remit, to include the opportunities and challenges of devolution and issues of interest at a Greater Manchester and city level.	Executive Members for Finance and Human Resources	Carol Culley	
Annual Work Programming Session	The meeting will close for the annual work programming session where members determine the work programme for the forthcoming year. To follow a presentation from the Director/Lead Officers on upcoming issues and challenges within the Committee's remit.			This part of the meeting will be closed to the public

<b>Items To be Scheduled</b> (Items highlighted in grey indicate that these have been included in the work plan of one of the above meetings)				
<b>Item</b>	<b>Purpose</b>	<b>Executive Member</b>	<b>Strategic Director / Lead Officer</b>	<b>Comments</b>
GMCA Governance arrangements update	To receive a report that provides a further update on how the governance arrangements of the GMCA are working.  To include how Manchester City Council Elected Members who are not appointed to a GMCA body can contribute to the governance arrangements	Councillor Leese	Liz Treacy	See October 2017 minutes To be scheduled for June 2018 meeting
Governance arrangements of the GMCA Transport Levy	To receive a report on the proposed governance arrangements for the transport levy to constituent council's in respect of expenditure reasonably attributable to GMCA's transport functions	Councillor Leese	Liz Treacy Carol Culley	See October 2017 minutes
Powers and Interventions available to the Council to address disproportionate increases in the housing rental markets	To receive a report that outlines what powers and methods of intervention the Council has to address the rapidly disproportionate increases in property rental prices compared to increases in Manchester residents salaries	Councillor Leese	Carol Culley	See October 2017 minutes
Energy	To request a report on the opportunity the Council is exploring to enter the energy market, which is being developed at the Greater Manchester level.	Councillor Flanagan	Carol Culley/ David Lea	See minutes of the Economy Scrutiny Committee on 14 January 2015

Global Revenue Budget Monitoring	To receive an update on the forecasted financial position for 2017/18 through to 2018/19	Councillor Flanagan	Carol Culley Janice Gotts	
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**(4) Item(s) for Information**

**Manchester City Council  
Report for Information**

**Report to:** Resources and Governance Scrutiny Committee  
1 March 2018

**Subject:** Consultations on changes to the Capital Finance Framework

**Report of:** City Treasurer

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**Summary**

This report provides information on the consultations that have taken place recently with regard to capital financing; namely the consultation on the prudential framework of capital finance issued by the Ministry for Housing, Communities and Local Government (MHCLG); and the consultations on the Prudential Code and the Treasury Management Code respectively issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The report details the City Council's response to the consultations and the subsequent outcomes, including the immediate considerations for the City Council.

**Recommendation**

Members are requested to note the report.

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**Wards Affected: All**

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**Contact Officers:**

Name: Carol Culley  
Position: City Treasurer  
Telephone: 0161 234 1445  
Email: c.culley@manchester.gov.uk

Name: Janice Gotts  
Position: Deputy City Treasurer  
Telephone: 0161 234 1017  
Email: j.gotts@manchester.gov.uk

Name: Tim Seagrave  
Position: Group Finance Lead – Capital and Treasury Management  
Telephone: 0161 234 3445  
Email: t.seagrave@manchester.gov.uk

**Background documents (available for public inspection)**

The following documents disclose important facts on which the Report is based and have been relied upon in preparing the Report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy please contact one of the officers above.

- Report to Resources and Governance Scrutiny Committee 4<sup>th</sup> January 2018 – Capital Strategy Governance and Approval Process Update
- Consultation on the Treasury Management Code, CIPFA, August 2017
- Consultation on the Prudential Code, CIPFA, August 2017
- Consultation on the Prudential Framework of Capital Finance, MHCLG, November 2017
- Treasury Management Code, CIPFA, December 2017
- Prudential Code, CIPFA, December 2017
- Prudential Framework of Capital Finance, MHCLG, February 2018

## **1. Introduction and Background**

- 1.1 The Council has recently responded to separate consultations regarding capital financing, these being:
- a) Chartered Institute of Public Finance and Accountancy (CIPFA) consultation on potential changes to:
    - the Prudential Code, and
    - the Treasury Management Code
  - b) Ministry for Housing, Communities and Local Government (MHCLG) consultation on the prudential framework of capital finance and changes to the Government's statutory guidance on investments and on the Minimum Revenue Provision (MRP).
- 1.2 The prudential framework of capital finance provides the legal basis for the Council to borrow monies to fund capital activity, and also covers the treasury management arrangements that should be undertaken by the authority.
- 1.3 The Prudential and Treasury Management Codes provide a risk management framework for borrowing and investment activity, including governance and transparency. The guidance issued by MHCLG focuses on the issues to consider when an authority is investing funds, and how capital expenditure funded by borrowing should be accounted for including the impact on the revenue budget.

## **2. Revisions to CIPFA's Prudential and Treasury Management Codes**

- 2.1 CIPFA issued consultations on the Prudential and Treasury Management Codes in August 2017, and the Council responded by the deadline. The Council's response to the consultations can be found at Appendices 1 and 2.
- 2.2 Following the consultation, CIPFA published revised Codes towards the end of December 2017.
- 2.3 The Prudential Code contained a number of changes, including:
- The need to for an authority to publish a capital strategy, which sets out the long-term context in which capital expenditure decisions are taken;
  - Changes to, and removal of, some prudential indicators;
  - Extension of the Code to cover group entities and combined authorities; and
  - The ability to delegate approval for some prudential indicators.
- 2.4 The Treasury Management Code also contained a number of changes, including:

- Extension of the Code to cover non-financial assets held primarily for financial returns, such as investment property;
- A new risk management consideration to review the sensitivity of treasury assets and liabilities to inflation; and
- A requirement that the capital strategy reflect all types on investment, including those that are not part of treasury management activity.

- 2.5 The timing of the publication of the revised Codes was challenging for the local authority sector, as they were released during the period when authorities traditionally are seeking approval for budgets. CIPFA recognised this, and whilst asking authorities to implement both codes with immediate effect, noted that the implementation of a capital strategy may take longer and therefore it may not be fully implemented until the 2019/20 financial year.
- 2.6 The City Council capital strategy, which was included within the Council's budget for 2018/19, took into account the requirements of the revised codes.

### **3. Revisions to MHCLG's Guidance on Investments and MRP**

- 3.1 MHCLG issued consultations on the statutory guidance on investments and MRP in November 2017, and the Council responded by the deadline. The Council's response can be found at Appendix 3.
- 3.2 Following the consultation, MHCLG published revised guidance documents in February 2018 regarding investment and MRP.

#### Investment Guidance

- 3.3 The Investment Guidance now extends beyond treasury investment to include all investments held or made by the Council. To support this, the Guidance proposes a number of additional indicators that the Council should calculate to support the governance of investments, and specifically non-treasury investments.
- 3.4 The Investment Guidance extends the principles of security and liquidity to non-treasury investments, which are the investments an authority may hold which are not considered part of the management of the cash flow, such as a loan to a third party. The Guidance requires risk assessment disclosures on investments, including the need to consider the risk of loss against General Fund resources when making non-treasury investments. Authorities should also disclose the extent to which income from non-treasury investments support the authority's objectives.
- 3.5 The Guidance requires the capital strategy to disclose the steps taken to ensure that members and officers have the appropriate capacity, skills and information to enable them to make decisions on specific investments and the risks to the authority.



- 3.6 It also details the Government's view on authorities borrowing in advance of need. The Guidance makes clear that local authorities should not borrow in advance of need purely to profit from the investment of the sums borrowed, and the informal commentary provided alongside the Guidance highlights that this extends to the acquisition of non-financial as well as financial investments. In this context non-financial investments are investments for which the asset held is not a financial instrument, but perhaps a physical asset such as land or property.
- 3.7 There are a significant number of additional disclosures that the Council must now review and include in the capital strategy as a result of the Guidance. Over the coming months work will continue to include these disclosures within the capital strategy to be presented to Members.

#### MRP Guidance

- 3.8 The MRP Guidance continues to allow local flexibility in the calculation of MRP, which is the funding set aside from the City Council's revenue account to meet the principal costs of capital. However, some areas of the Guidance have been strengthened, with the option to backdate MRP changes now effectively removed.
- 3.9 The consultation also proposed revised maximum useful economic asset lives for the calculation of MRP, but the final guidance has given a maximum life of 50 years for an asset unless supported by expert opinion.
- 3.10 The timing of the publication of the revised Guidance documents meant that they were issued very late in the budget process, and MHCLG recognised this. The revised MRP Guidance comes into force from 1 April 2019, and the Investment Guidance must be adopted in the first capital strategy presented to Council after 1 April 2018.

#### **4. Conclusions**

- 4.1 The Council is keen to play an active role in the development of the wider local authority capital finance framework. A key element of this is responding to consultations as they are released, to ensure that the Council's views are represented.
- 4.2 The Council responded to the consultations issued by CIPFA and MHCLG in a timely manner, enabling its views to be considered in the drafting process for the final publications.
- 4.3 The revised Codes have been taken into account when drafting the Council's capital strategy for 2018/19. Due to the timing of publication, the Investment and MRP Guidance issued by MHCLG could not be considered, and work will now be undertaken to understand the requirements of the Guidance, and to revise the Council's capital strategy as soon as practicable.

## **5. Recommendations**

- 5.1 The recommendations appear at the front of this report.

**Appendix 1**

Manchester City Council's response to CIPFA's Prudential Code consultation

<b>Consultation Questions</b>		
<b>Objectives of the Prudential Code</b>		
Q1.	Do you agree that the requirement of the Prudential Code to adopt CIPFA's Treasury Management Code is removed?	Yes
Q1a	If No, please give your reasons below.	
	Given the statutory requirement to have regard to the Code, this indicator is unnecessary.	
<b>Mayors, Combined Authorities and the Group Entity</b>		
Q2.	Do you agree that the Code confirm that the underlying principles apply to mayors and combined authorities and the group entity?	Yes
Q2a	If No, please give your reasons below.	
	<p>There are clear benefits in terms of accountability and scrutiny in applying the Code to mayors and Combined Authorities, but caution will need to be exercised in terms of group entities.</p> <p>The City Council does have significant concerns regarding the inclusion of group entities. Whilst there is a logical sense in extending the principles of the Code to the group, the nature of some of our group entities is such that seeking to apply the Code to them could be extremely problematic.</p> <p>We have concerns regarding disclosure requirements, whether such information is commercially sensitive to the group entity and whether such information would be available within the same timescales as required for local authority reporting. Without significant further guidance it is difficult to assess whether trying to extend the principles of the Code to group entities is possible.</p>	
Q3	Do you agree that the impact of such structures is best dealt with through the use of local indicators?	Yes
Q3a	If No, please give your reasons below.	
	Given the unique nature of mayoral and combined authorities, and the organisations within an authority's group, a universal indicator is unlikely to be able to successfully capture the risks for those organisations. Local indicators seem the most sensible solution here, allowing officers and members to decide on metrics will allow them to scrutinize their organisations.	

Q4	Do you agree with the requirement to consider explicitly separate ring-fenced funding streams and that this requirement removes the need to specify separate requirements for the HRA?	Yes
Q4a	If No, please give your reasons below.	
	This is particularly important for Combined Authorities. Provided the Code makes clear that ring-fenced funding streams have to be considered separately and within the group the need to specify the HRA is removed.	
<b>Ensuring Prudence</b>		
Q5	Do you agree with the proposal to introduce the requirement for a capital strategy to be formally reported?	Yes
Q5a	If No, please give your reasons below.	
	<p>As local authorities become increasingly complex it is important to recognize the risks that the authority is willing to take. It has long been an oddity that the treasury management strategy invested a significant amount of resource and scrutiny into an authority's treasury management portfolio, with little scrutiny given to the use of other investments within the Council's overall budget.</p> <p>It is vital to highlight that the risks an authority takes are consistent, regardless of which type of investment is considered, but it is also vitally important that the risks are considered together to ensure that there are no conflicts in the positions taken.</p>	
Q6	Do you agree with a principles based approach and that the key matters to be taken into account are reflected in the proposed wording within the annex?	Yes
Q6a	If No, please give your reasons below.	
Q7	Do you agree with the proposal to require the chief financial officer to report explicitly on the risks associated with the capital strategy?	Yes
Q7a	If No, please give your reasons below.	
	With revenue budgets under significant constraint it is vital that the capital strategy successfully manages the long term revenue impact of capital activity for the authority. As such, it is vital that the CFO has a mechanism for clearly reporting to members where there are risks, as if they materialize it could have a significant impact on the revenue position.	
Q8:	Do you agree with the proposal to delete the council tax indicator?	Yes

Q8a	If No, please give your reasons below.	
	<p>The council tax indicator is fundamentally misleading as it is unsympathetic to how borrowing may be taken, and to changes in market conditions. At best it has been a deeply misleading indicator for the affordability of the capital programme.</p> <p>We would also advocate the removal of the HRA rents indicator, for similar reasons.</p>	

## **Appendix 2**

### **Manchester City Council's response to CIPFA's Treasury Management Code consultation**

<b>Consultation Questions</b>		
<b>Treasury Management Indicators</b>		
Q1.	Do you agree with the proposed indicator changes?	Yes
Q1a	If No, please give your reasons below	
	<p>The interest rate exposure indicator is inflexible, in particular with regard to some of the more complex debt instruments such as LOBOs, which meant that reports to members could infer risks which officers did not believe material, without the ability to reflect it in the indicator.</p> <p>It is logical to extend the maturity structure of debt to include variable, as again LOBOs tended to skew the existing indicator as drafted.</p>	
<b>Non Treasury Investments</b>		
Q2	Do you agree with the clarification that the Code should cover all investments held primarily for financial returns and the proposed amendments to the Code set out in the annex?	Yes
Q2a	If No, please give your reasons below	
	<p>In principle the inclusion of all investments held for financial return is logical, and allows members to consider the risks of all investments together.</p> <p>However, the Code as drafted suggests that authorities should recognize investments as either being for treasury, service or commercial reasons. What is not clear is how an authority would allocate investments between these categories.</p> <p>Our treasury management advisors, Capita, have flagged that one way of doing this could be to base the categorization on the legal power used for the investment – however, this may not be straight-forward.</p> <p>Given the fundamental differences, flagged in the draft Code, between treasury investments and commercial investments in terms of risk and scrutiny it is vital that stronger guidance is included within the Code regarding how to categorise investments, to make sure that each investment receives the appropriate review.</p>	
<b>Reporting</b>		
Q3:	Do you agree with the proposal to allow some delegation of reporting to a committee/sub-committee in order to promote	Yes

	more active engagement and with the subsequent changes proposed to the Code?	
Q3a	If No, please give your reasons below	
	The Council supports any change which can lead to greater member engagement.	
<b>Other changes</b>		
Q4	Are there any other comments you wish to make, including on the proposed substantive changes set out in the Annex?	No
Q4a	If Yes, please make your comments below	

### **Appendix 3**

#### **Manchester City Council's response to MHCLG Consultation on the prudential framework of capital finance**

Manchester City Council welcomes the opportunity to comment on the proposed changes to the prudential framework of capital finance for local authorities, and would like to thank the Department for consulting on this matter.

The City Council's responses to the specific questions are contained within this letter, but there are some general points that the Council would like to make regarding the consultation.

The City Council strongly believes that the objective for the revised Guidance must be to continue to allow local authorities flexibility in their investment decisions whilst ensuring that decisions are taken within the authorities powers, and that there is a reasonable and balanced approach to the management of risk with controls in place to avoid over exposure to risk.

The Council supports the principle of MRP policies being suitably prudent, but any restrictions placed nationally will diminish local accountability and it risks MRP policies not reflecting local investment decisions. The example provided for Manchester of the Town Hall refurbishment in the response to question 15 of the consultation highlights this.

The consultation says that the Guidance has to be considered alongside the revised CIPFA Prudential and Treasury Management codes of practice. Although both of these codes have been consulted on, they have not to date been published and therefore it is extremely difficult for the Council to fully comment on the proposals within the consultation.

The Council also believes that the consultation is challenging due to lack of definitions included within it, for example what the Guidance considers to be core activity for a Council and what is considered non-core. The lack of clear definitions means that some of the proposals are open to interpretation, which the Council does not believe is the intention.

Finally, in regards to general points on the consultation, the Council believes that there are a number of instances within the proposals where new disclosures or processes are required where existing infrastructure already exists to achieve the same aim. Specifically, disclosures regarding expertise are required under MiFID II, and useful economic life for specific assets is considered as part of the accounts process. The Council would welcome a review of the proposals contained within the consultation with bodies such as the LGA, Core Cities and CIPFA, to consider whether reliance should be placed on the existing arrangements as opposed to introducing new unnecessary burdens.

The Council's specific responses to the questions posed in the consultation are below:



Transparency and democratic accountability

***Q1: Do you agree with the proposed change? If not why not; and what alternative would you propose?***

The City Council does agree with the proposed change, but notes that the flexibility to split the investment strategy between treasury investment and capital investment is helpful.

Principle of Contribution

***Q2: Do you agree that it is important for local authorities to disclose the contribution that investment activities make to their core functions? If not why not; and what alternative would you propose?***

The City Council does agree with the principle that authorities should disclose the contribution that non-core investments make towards core functions, but requests that a clear definition for investment activities which are considered core functions and those which are considered non-core is made clear in the guidance. For example, it is unclear how equity and investment property would be classified.

***Q3: Are there any other measures that would increase the transparency of local authority financial and non-financial investments that you would suggest for inclusion in the Investments Guidance to assist scrutiny by the press, local taxpayers and councillors?***

The Council strongly supports transparency, and any measures that can be included to support this would be welcomed. However, before suggesting any further measures the Council would welcome the opportunity to review the disclosures required under the revised CIPFA Prudential and Treasury Management codes of practice to ensure that any new measures are inclusive of those requirements.

Use of indicators to assess total risk exposure

***Q4: Do you agree with the introduction of a requirement to enable Councillors to assess total exposure from borrowing and investment decisions? If not why not; and what alternative would you propose?***

The Council does agree with the introduction of such a requirement, but notes that for historic investments it may not be clear how the investment was originally funded.

***Q5: Do you agree with the decision not to specify indicators or thresholds? If not why not; and what alternative would you propose?***

The Council supports transparency in decision making and agrees that comparisons between authorities can aid this, but notes that capital and treasury decisions are highly localised and dependent on individual authority's risk appetite. The difficulties an authority will face in establishing indicator(s) which will allow comparison to other

authorities, but with little direction regarding how the indicator(s) should be calculated, means that the sector cannot be certain that such comparisons would be valid – each authority's indicator(s) could be fundamentally different. The Council believes that such indicators should be local, and that there should not be a requirement for national comparison, reflecting local decision making.

As an alternative, if the need for national indicators is necessary, DCLG should request feedback from core authority groups (e.g. CIPFA Treasury Management Network, Core Cities, Counties, etc) as to how such indicator(s) could be formed and therefore be specific within the guidance about how such indicators are calculated.

#### Extension of principle of Security, Liquidity and Yield to non-financial investments

***Q6: Do you agree with the extension of the principles of security and liquidity to non-financial assets? If not why not; and what alternative would you propose?***

The Council does agree with the extension of these principles, however seeks further clarification regarding non-financial assets, and that the guidance is clarified to highlight that the considerations regarding security and yield will be fundamentally different between treasury investments and capital expenditure.

The draft Guidance creates three classes of investment where there were only two in the previous guidance, and the definitions for these are problematic and inconsistent. It is vital that the Guidance provides clear definitions.

Under the prior Guidance only specified and non-specified investments existed. The Council's view is that these categories should remain, and that the loans category is superfluous – such loans should be treated as either specified or non-specified. Clarity should be given within the Guidance to highlight that treasury management investments and capital expenditure will have key differences when considering security and liquidity, as the nature of the investments is fundamentally different.

***Q7: Do you agree with the definitions of liquidity and security for non-financial assets? If not why not; and what alternative would you propose?***

The definitions as set out in the Guidance are reasonable, provided the clarity requested above is provided.

The Council seeks further clarity on the requirement to report to full council is a non-financial asset held for investment purposes is impaired, as this should not have an immediate revenue impact for the Council as the impairment will be included in an adjustment account. The need to report to full council seems unnecessary given the scrutiny the accounts should already receive by other committees and the lack of an immediate revenue impact.

#### Introduction of a concept of proportionality

***Q8: Do you agree with the introduction of a concept of proportionality? If not why not; and what alternative would you propose?***

The wording of the revised Guidance is somewhat unhelpful. All authorities engaged in treasury management activity could be considered to be dependent on yield bearing investment activity to balance the budget, as the income would be included in the medium term financial plan.

The Guidance needs to be clear that all authorities will generate investment income, and that the level to which this supports the revenue budget should be disclosed. The Guidance also needs to be clear that the concept of proportionality does not relate to treasury management investments, which occur to manage cash flow fluctuations caused solely by timing differences between income being received and expenditure on service delivery being incurred – there is little justification for calculating opportunity cost in this instance.

Given local authorities cannot securitise debt, suggesting that investment activity is linked to how it is funded is also problematic, and there is a danger members look at the risks of single investments ahead of the risks of the portfolio as a whole. Further to this, given the myriad ways in which opportunity cost can be calculated, the Council is concerned that such a disclosure will be potentially misleading. Given that investments funded by borrowing should be self-financing and therefore at the very least have a nil impact on borrowing capacity, this requirement appears unnecessary.

#### Borrowing in advance of need

***Q9: Do you agree that local authorities who borrow solely to invest should disclose additional information? If not why not; and what alternative would you propose?***

The Guidance as drafted is unhelpful as it conflates borrowing in advance of need with borrowing to invest, and there is clear concern across the local government sector regarding the implications of this.

Borrowing in advance of need is a legitimate treasury management tool, used to allow organisations to access advantageous interest rates or debt tools before the capital expenditure is due to be spent. This is fundamentally different to borrowing to invest, and this distinction must be made in the Guidance. There are clear concerns that the Guidance, as drafted, when taken with the draft revised CIPFA Prudential Code could prevent authorities from being able to legitimately borrow in advance of need, which could have a negative impact on the public purse.

It would be helpful if the Guidance could be clarified to highlight that the Strategy should explain, where investments made for yield-bearing purposes have been made, that additional disclosures are required, and not define this as borrowing in advance of need.

#### Capacity, skills and culture

***Q10: Do you agree with the extension of the disclosure requirement on steps taken to secure sufficient expertise to include all key individuals in the***

***decision making process? If not why not and what alternative would you propose?***

Under MiFID II there are existing disclosures regarding the expertise an authority must have to elect up to Professional status. On that basis, the proposed extension appears unnecessary.

Definition of 'Prudent Provision' in the MRP Guidance

***Q11: Do you agree with the change to definition of the basis of MRP? If not why not, and what alternative would you propose?***

The Council does not agree with the change to the definition of the basis of MRP, specifically the Council does not agree that the meaning of prudent provision for supported borrowing is in line with the period implicit in the original grant. Since 2010 Revenue Support Grant has changed significantly, and has been reduced on a proportional basis and eventually become part of the business rates retention system. On that basis, the level of support implied by the grant for supported borrowing has reduced, or the reductions in support to other services is proportionally higher. The definition of prudence should reflect the level of support provided by the funding stream authorities receive now, rather than the original grant which is no longer provided.

Meaning of a charge to the revenue account

***Q12: Do you agree that the Guidance should clarify that a charge to an account cannot be a credit? If not why not; and what alternative would you propose?***

The Council does not agree with this proposal. Where over provision of MRP has been identified, it is prudent for existing and future council tax payers that this be credited back to the Council.

Impact of changing methods of calculating MRP

***Q13: Do you agree that changing MRP methodology does not generate an overpayment of MRP? If not why not; and what alternative would you propose?***

The Council does not agree with this approach. If an authority can make a reasonable and prudent case for MRP in prior years being overpaid when changing MRP methodology, then the authority should be able to class it as such.

Introduction of a maximum economic life of assets

***Q14: Do you agree that the guidance should set maximum useful economic lives for MRP calculations based on asset life? If not why not and what alternative would you propose?***

The Council does not agree that the Guidance should set useful economic lives for MRP calculations. The considerations for calculating MRP should reflect local

circumstances and the specific assets involved, as this will support the principle that MRP is incurred through the useful economic life of the specific asset.

An alternative is for authorities to set asset lives in accordance with those provided by valuers in the year the asset comes into use. This would be reviewed by external auditors during the accounts process, and reported to members for scrutiny.

Such an approach would ensure that MRP is set and defined locally, and is reflective of the circumstances for the authority.

***Q15: Do you agree with the maximum useful economic lives selected? If not why not; and what alternative would you propose?***

As per the response to Q14, the Council does not agree with the maximum useful economic lives proposed, and does not agree that the Guidance should set such maximums.

By way of example, Manchester Town Hall was built 140 years ago and has had little significant refurbishment since. The Council has decided to invest in a refurbishment of the Grade 1 listed building, to ensure its continued use and to protect it for future generations. The Council has budgeted on the basis of MRP being calculated on an annuity basis over 50 years, in line with the expected use and depreciation of the refurbished building which, given its history, is prudent and reasonable. By reducing this to 40 years, the annual repayment increases by £1.2m in the first year to £4.6m in year 40, despite the expectation that the useful economic life of the building will be 50 years.

The Council strongly believes that the useful economic lives of asset for MRP purposes should be set locally, subject to the scrutiny of members and external auditors. Setting national maximum economic lives reduces the flexibility for authorities to take into account local factors.

If maximum useful economic lives are to be set through the Guidance, clarity must be given on whether these are to be applied retrospectively as this could have a material impact on local authorities existing revenue budget plans and positions.

Implementation timetable

***Q16: Do you agree that the codes should be implemented in full for 2018-19? If not, are there any specific proposals where implementation should be deferred, and what would be the implications of not doing so?***

The timing of the consultation on the Guidance, coupled with the fact that the revised CIPFA Prudential and Treasury Management Codes have not been published, means that the Council strongly supports the deferring of the implementation of revised the revised Guidance until 2019/20.

Implementing for 2018/19 could cause significant issues for local authorities will limited time to resolve them, and it is clear that the inter-dependencies between the proposed Guidance and the revised Codes remain unclear.

By deferring until 2019/20, council's will be able to fully understand the impact of the revised Guidance and address any issues they may have.

The Council would again like to thank the Department for providing the opportunity to comment on these proposals. If the Department requires any clarification regarding the points raised in this response, please do not hesitate to contact me.

Yours sincerely

Tim Seagrave

Group Finance Lead Capital & Treasury Management  
Manchester City Council