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MANCHESTER
CITY COUNCIL

Executive

Date: Wednesday, 12 February 2020
Time: 10.00 am
Venue: Council Antechamber, Level 2, Town Hall Extension

This is a supplementary agenda containing additional information about the business of the meeting that was not available when the agenda was published.

Access to the Council Antechamber

Public access to the Antechamber is via the Council Chamber on Level 2 of the Town Hall Extension, using the lift or stairs in the lobby of the Mount Street entrance to the Extension. That lobby can also be reached from the St. Peter's Square entrance and from Library Walk. **There is no public access from the Lloyd Street entrances of the Extension.**

Filming and broadcast of the meeting

Meetings of the Executive are 'webcast'. These meetings are filmed and broadcast live on the Internet. If you attend this meeting you should be aware that you might be filmed and included in that transmission.

Membership of the Executive

Councillors
Leese (Chair), Akbar, Bridges, Craig, N Murphy, S Murphy, Ollerhead, Rahman, Stogia and Richards

Membership of the Consultative Panel

Councillors
Karney, Leech, M Sharif Mahamed, Sheikh, Midgley, Ilyas, Taylor and S Judge

The Consultative Panel has a standing invitation to attend meetings of the Executive. The Members of the Panel may speak at these meetings but cannot vote on the decision taken at the meetings.

Supplementary Agenda

Information about the Executive

The Executive is made up of ten Councillors: the Leader and two Deputy Leaders of the Council and seven Executive Members with responsibility for: Children Services; Finance & Human Resources; Adult Services; Schools, Culture & Leisure; Neighbourhoods; Housing & Regeneration; and Environment, Planning & Transport. The Leader of the Council chairs the meetings of the Executive

The Executive has full authority for implementing the Council's Budgetary and Policy Framework, and this means that most of its decisions do not need approval by Council, although they may still be subject to detailed review through the Council's overview and scrutiny procedures.

It is the Council's policy to consult people as fully as possible before making decisions that affect them. Members of the public do not have a right to speak at meetings but may do so if invited by the Chair.

The Council is concerned to ensure that its meetings are as open as possible and confidential business is kept to a strict minimum. When confidential items are involved these are considered at the end of the meeting at which point members of the public and the press are asked to leave.

Joanne Roney OBE
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Further Information

For help, advice and information about this meeting please contact the Committee Officer:

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This supplementary agenda was issued on 7 February 2020 by the Governance and Scrutiny Support Unit, Manchester City Council, Level 3, Town Hall Extension (Lloyd Street Elevation), Manchester M60 2LA.

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Manchester City Council
Report for Resolution

Report to: Executive – 12 February 2020

Subject: Global Revenue Budget Monitoring Report to the end of December 2019

Report of: Deputy Chief Executive and City Treasurer

Summary

The report outlines the projected outturn position for 2019/20, based on spend as at the end of December 2019 and future projections.

Recommendations

The Executive is recommended to:

1. Note the Global Revenue Budget Monitoring Report.
2. Approve the use of budgets to be allocated in paragraph 86.
3. Approve the use of reserves in paragraph 87.
4. Approve the use of grants in addition to that already planned, as detailed in paragraph 88.

Wards Affected: None directly

Environmental Impact Assessment - the impact of the issues addressed in this report on achieving the zero-carbon target for the city
The budget reflects the fact that the Council has declared a climate emergency by making carbon reduction a key consideration in the Council's planning and budget proposals.

Manchester Strategy outcomes	Summary of the contribution to the strategy
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	The effective use of resources underpins the Council's activities in support of its strategic priorities.
A highly skilled city: world class and home grown talent sustaining the city's economic success	
A progressive and equitable city: making a positive contribution by unlocking the potential of our	

communities	
A liveable and low carbon city: a destination of choice to live, visit, work	
A connected city: world class infrastructure and connectivity to drive growth	

Full details are in the body of the report, along with any implications for

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

The report identifies a projected net revenue overspend of £2.790m for 2019/20, based on income and expenditure up to the end of December 2019. All Strategic Directors continue to work to address the forecast overspend by identifying greater efficiencies and accelerating savings where possible in order to support the overall financial position of the Council.

With the likely scale of funding pressures and future resource reductions, it is important that the Council holds a robust position on reserves and maintains the ability to deal with issues that arise during the financial year. Requests to allocate funding to or from reserves in-year are included within the report.

Financial Consequences – Capital

The revenue budget includes funding to meet the capital financing costs of the Council. Changes in the capital programme can affect the budget to meet such costs.

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Background documents (available for public inspection):

The following document discloses 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.

Revenue Budget 2019/20, approved by Executive on 13 February 2019.

Introduction

1. This report provides a summary of the projected revenue outturn position for 2019/20 and requests approval of the application of budgets, use of virements and reserves.

2. As at the end of December 2019 the forecast position is an overspend of £2.790m. The following table summarises the current financial position for 2019/20:

	Original approved budget £000	Revised Budget £000	Forecast Outturn £000	Variance £000	Movement since last reported to Executive £000
Total Available Resources	**(610,835)**	**(609,502)**	**(611,281)**	**(1,779)**	**(1,263)**
Total Corporate Budgets	**113,629**	**103,690**	**102,889**	**(801)**	**(27)**
Children's Services	120,434	120,283	123,524	3,241	681
Adult Social Care	198,263	197,928	204,881	6,953	162
Homelessness	13,375	13,938	13,938	0	0
Corporate Core	67,838	69,379	66,528	(2,851)	(545)
Neighbourhoods and Highways	91,781	98,425	96,927	(1,498)	88
Growth and Development	5,515	5,859	5,384	(475)	(475)
Total Directorate Budgets	**497,206**	**505,812**	**511,182**	**5,370**	**(89)**
Total Use of Resources	**610,835**	**609,502**	**614,071**	**4,569**	**(116)**
Total forecast over / (under) spend	**0**	**0**	**2,790**	**2,790**	**(1,379)**

3. The changes between the directorate original and revised budget relate to virements of £8.606m from corporately held budgets including contingency, inflation and other budgets to be allocated. These are made up of:
   - £5.084m allocated for the annual pay inflation award allocated across Directorates;

- £0.753m allocated to Children's Services to cover the increase in the average weekly cost of foster care placements and care leaver placements;
- £400k allocated to Children's Services for Home to School Transport to support cumulative increases in inflation requirements to reduce vehicle emissions and changes in the national minimum wage;
- £334k allocated to Children's Services for development of the foster care service;
- £183k allocated to Children's to fund dilapidation works for Early Years centres. This will allow the Council to undertake a 'condition survey' of all Manchester owned daycare buildings;
- £0.5m allocated to the Neighbourhoods Directorate to reflect an adjustment to the waste income target, following a decrease in the amount of Trade Waste;
- £355k allocated to Neighbourhoods for Waste Management inflation pressures;
- £250k allocated to the Neighbourhoods Directorate to reflect savings made on the waste levy following an initiative to increase recycling rates from residential apartments;
- £100k allocated to the Neighbourhoods Directorate to cover inflation costs for the provision of school meals, which have been subject to an inflationary increase of c4%. This will help ensure any increase in school meal prices are minimised;
- £368k from budgets to be allocated, initially earmarked for increases to the Climate Change Levy rate, to the cross cutting commissioning savings target. The additional levy costs have been absorbed within electricity budgets therefore this budget is no longer required and is being redirected. Work will continue to identify commissioning savings which will fall directly to the respective Service areas; and
- Other smaller allocations totalling £279k.

4. Virements between Directorates include:
    - £2.7m budget transfer from Children's Services to Neighbourhoods and Highways for the movement of Youth Services between Directorates;
    - £0.983m Decriminalised Parking Enforcement and Bus Lane income budget moved from Neighbourhoods and Highways to Corporate Core following a transfer of the fixed penalty and enforcement service;
    - £279k Winter Pressures grant transferred from Adult Social Care to Homelessness - originally all the grant was held against Adult Social Care prior to allocations being finalised; and
    - £102k Domestic Violence budget transfer from Adult Social Care to Neighbourhoods and Highways.

5. All variances detailed within the report are measured against the revised budget.

6. The paragraphs that follow outline the main reasons for the projected variation to budget and set out the movements since the previous monitoring report to the Executive.

Corporate Costs and Resources

Corporate Budgets and Available Resources (£2.580m) underspend

7. The net spend associated with corporate costs is £2.580m less than budget. This is due to a reduction in the number of people in receipt of historic specific education related pensions resulting in an underspend of £0.670m, and a further £116k underspend arising from a lower than expected Carbon Reduction Charge in 2018/19 due to the consumption across the estate being lower than expected. There is additional income made up, mainly, of:
    - £496k additional rental income from car parking;
    - £0.629m additional income from Manchester Central;
    - £0.6m Investment Estate income from the Arndale centre; and
    - £208k Photovoltaic income from solar panels feed in.

8. Dividend income reports a shortfall of £158k, however, a further dividend is still to be confirmed.

Business Rates and Council Tax

9. The Council is responsible for the collection of local taxes (Council Tax and Business Rates). At the end of December 2019, 74.04% of Council Tax had been collected. This is 0.08% ahead of the position at the end of December 2018.

10. Business Rates collection is 78.21% at the end of December 2019, 0.21% better than the end of December 2019. However, the volatility caused by appeals and buildings moving on or off the rating list means that it is very challenging to predict an accurate final position.

11. It should be noted that the budgeted income to be included in 2019/20 for these areas is fixed through the Collection Fund. Any variances will therefore not impact until future years.

Children's Services and Education (£3.241m overspend)

12. The forecast outturn to the end of December is an overspend of £3.241m (2.7%) against a revised net budget of £120.283m. The overspend has increased by £0.681m since it was previously reported to the Executive. The position reflects that, in total, there are net savings of £2.653m of which £2.352m (89%) is projected to be achieved and £301k (11%) is at significant risk and, is therefore, included in the projected overspend.

13. Overall Children's Services are achieving the strategy to reduce demand for high cost external placements, with the overspend predominantly driven by an increase in the complexity of need and the recent increase in the number of looked after children. The Strategic Director of Children's Services and Education continues to chair a multi-disciplinary review panel to review and track progress for all external residential placements. Work is ongoing to

develop the commissioning strategy and shape the market to meet the need in the most cost effective way, this includes:

- A comprehensive analysis of the range of children's needs, demand and placement requirements to inform a strategic commissioning strategy. The strategy in development will aim to manage the complexity of presenting needs and rising placement costs within the local and regional market;
- The alignment of current internal and external market capacity and existing commissions with the current and projected future needs;
- Considering and developing opportunities to shape and influence the internal and local/regional external provider market;
- Identify future opportunities for the Council to invest capital such as developing partnerships with charitable or non for profit organisations;
- Understanding of the residential cohort used to drive commissioning decisions;
- Building relationships with existing and new providers, sharing insights as to the type of support Manchester is looking for; and
- Integrated commissioning arrangements with Manchester Health and Care Commissioning (MHCC) and Education partners.

14. The major variances and movements since last reported to the Executive are as follows:

15. Residential placements are projected to overspend by £1.552m, the overspend has increased by £170k since October due to the increased cost of placements. The number of external residential placements has reduced by three since October and is now eight (10%) above the budgeted number of placements. As previously reported the position reflects the progress that has been made in the joint commissioning of specialist provision for children; this has resulted in £3.4m of funding from MHCC towards the cost of these placements.

16. The Fostering service has a projected underspend of £380k, which has reduced by £0.607m since October due to the need for a further 60 fostering placements. As planned the service is increasingly meeting rising need through internal foster care provision. At the end of December 2019, external fostering placement numbers were 439 which is seven placements lower than budget and internal foster care placements were 506 which is 41 placements above budget. The overall fostering underspend is due to placements being lower in the early part of the financial year.

17. The service has performed well in the discharge from care and avoidance of children coming into care through increasing the use of permanent Special Guardianship Orders, Child Arrangement Orders and Adoption Allowances where deemed appropriate, with numbers increasing by 16 to 597 since October 2019. This is leading to spending which is £0.672m higher than budgeted for. This reflects an increase of 31 placements and additional projected costs of £305k since October.

18. The recharge for Children's Legal Services has a projected overspend of £0.979m which is an increase of £79k since October. Children's Services and Corporate Legal Services are working to address this position. The overspend relates to:

- an increase in the use of external legal services due to staff turnover;
- the volume of demand for legal services;
- greater complexity of cases leading to more use of external legal advocates/barristers and subject 'experts'; and
- the level of support required for the social work teams.

19. The Leaving Care service and placements has a projected overspend of £0.850m which has increased by £172k since last reported (as of October), it relates mainly to:

- Supported accommodation placements overspend of £318k, the increase in the position is due to an additional 14 supported accommodation placements. The service has undertaken to improve the cost effectiveness of placements. As part of this work is ongoing with Strategic Housing and Registered Providers to increase the range and choice of provision for care leavers that is both suitable and achieves value for money; whilst enabling young people to successfully live independently. An allocation of £499k has been applied from the Corporate inflation budget to reflect recent price increases in the cost of supported accommodation.
- Staying Put and Supported Lodgings overspend of £186k due to an increased number of placements;
- Leaving Care allowances overspend of £342k, spend in this area has increased by 35% following the extension of support up to the age of 25 for all care leavers through the Children and Social Work Act last year;
- Leaving Care Service is underspent by £5k based on vacancies and income from the Department for Education.

20. Home to School Transport and Travel is projected to overspend by £194k relating to the cost of transport for children with Special Education Needs and Disabilities (SEND). The overspend is £14k lower than last reported to the Executive which reflects the achievement of £0.539m savings delivered against a target of £0.733m, which was the budget pressure in 2018/19.

21. Other budgets which include support to families for accommodation, essential living, assessments, translations and birth certificates are projected to be £317k overspent; there has been a £48k adverse movement since October. The Regional Adoption Agency management fee projected overspend has increased by £32k and is now £127k overspent as a result of increased activity. The budget for No Recourse to Public Funds (NRPF) is underspent by £0.662m based on current levels of activity, this underspend has increased by £187k since the last report to the Executive due to a reduction in the number of families presenting and a quicker turnaround in completing immigration claims through the Home Office.

22. Unaccompanied Asylum Seeking Children (UASC) is overspent by £291k, this has moved by £12k favourably since October. At the end of December there were:

- 180 UASC and UASC Care Leaver placements
- 39 UASC care leavers receiving maintenance payments and, or educational support. Home Office grant is claimed for UASC, however it does not fully meet the costs of support and is therefore reflected in the aforementioned support accommodation and allowance budget risks/pressures. Nationally there has been a rise in asylum claims, particularly in the North West which has seen an acute rise.

23. Education Services, including Short Breaks and Education Psychology, is forecasting an overspend of £109k, this has increased by £57k since October due to Short Breaks. The pressure relates to:

- Education Psychology overspend is projected at £249k. Education Health and Care Plans (EHCPs) for children and young people aged up to 25 years were introduced on 1 September 2014 as part of the Special Educational Needs and Disability (SEND) provisions in the Children and Families Act 2014. In Manchester schools there are a total of 2,895 EHCPs which is a 23% increase over the last three years. The Council is receiving more requests for EHCPs for young people aged 20 to 25 years. Education Psychology assessments inform the EHCP plans and as a result of the additional EHCP demand and the statutory requirement to complete the EHCP process in six weeks, the current commission for Education Psychologists has had to increase.
- Short Breaks are overspent by £170k, this relates to a 15% increase on specialist short breaks (day care, overnight stays or longer stays) being made to carers and young people. Local authorities are required, as part of the range of services they provide to families, to provide carers with breaks from caring for disabled children. The service is currently undertaking a service review and looking at ways it can manage the financial position in the longer term.
- Education Strategy Leads, Senior Leadership Team and Quality Assurance is underspent by £310k mainly due to vacancies and use of de-delegated Education Services Grant and School Improvement Grant.

24. Children's social care workforce, commissioning and strategic leads budgets are projected to underspend by £0.808m, this underspend has increased by £0.576m since October due to additional vacancies and a part year commissioning saving. The major variances are:

- Localities, Permanence and Emergency Duty Service underspend of £0.570m due to ongoing challenges in respect of recruitment and retention of social work staff;
- Fostering Service is underspent by £45k due to vacancies;
- Families First service and Supervised Contact overspend of £239k, arising from the use of agency staff to meet out of hours service requirements. This service is currently under review which is expected to achieve a greater level of efficiency and service improvement;

- Complex Safeguarding Hub and Safeguarding £61k underspend due to vacancies and running costs;
- Child Adolescent Mental Health Services commission underspend of £320k.

25. Dedicated Schools Grant (DSG) in 2019/20 totals £530m, of which £217m is top sliced by the Department for Education for academy school budgets. At this stage it is expected that the DSG will overspend by £3.942m due to the increased costs charged to the High Needs block. This part of the grant supports children with SEND and special school places. The overspend has increased by £392k since August due to the increased number of specialist and out of city placements.

26. In the Council's school funding settlement for 2020/21 there is an additional £11.994m in the High Needs block of the DSG to support children and young people with high levels of need. Based on the expected growth in demand for special school places and education, health and care plans it is expected that half of the current years overspend can be set against next years grant and the other half of the deficit will be recovered in 2021/22.

27. A key priority for the Council is to increase the effectiveness of services to improve outcomes for children and young people. This is delivered through effective leadership and management at a locality level and programmes of activity with key partners, adopting a targeted and systematic approach to improved standards of practice; early help and prevention, effective commissioning and market management and maximising efficiencies where appropriate in service delivery.

28. To ensure there is sufficient resource to meet the needs of children and young people, the 2020/21 budget strategy makes proposals for year two of additional non-recurrent funding from the Social Care reserve of £10.674m and £6m of the additional Social Care Support Grant. Further cash limit budget for 2020/21 of £1.7m is also proposed to manage the risk of increasing placements for looked after children and leaving care.

Adult Services (£6.953m overspend)

29. The Adult Social Care (ASC) and Population Health (PH) budget for 2019/20 is £197.928m of which £193.4m is part of the £1.196bn Manchester Health and Care Commissioning (MHCC) Pooled Budget. The full year effect of the position to the end of December, based on revised assumptions on the delivery of savings, is an overspend of £6.953m (3.5%) which is an increase of £162k on the position last reported to Executive. The is broken down as:

- £7.080m overspend relating to spend against the Manchester Health and Care Commissioning (MHCC) Pooled Budget for Adult Social Care (ASC); and
- £127k underspend for other ASC areas out of scope for the MHCC Pooled budget.

30. The £7.080m overspend on the MHCC Pooled Budget relates to the following areas (further detail is provided in later in the report):
    - In-house Learning Disability Supported Accommodation overspend of £3.586m from ongoing and rising needs for care and support;
    - Savings at risk of non-delivery of £4.0m against target of £7.9m. Whilst progress has been made over the last few months with the implementation of new care models, there remains risk with the delivery of the full savings in 2019/20 due to demand pressures across the health and care system;
    - Other budget variations totalling a net underspend of £0.506m.

31. The position reported to end of December reflects the full application of the 2019/20 demographic funding for in-year growth of £2.404m. The allocation has been applied to cover increases in need in Learning Disability and Mental Health services.

32. The 2019/20 budget included £4.258m to reflect the cost of the national living wage in the annual fee increase to care providers which was applied earlier in the financial year and a further £2.536m for other inflationary pressures. There remains £1.096m as at the end of December which will be applied over the next few weeks to further support the sustainability and stability of the Manchester care market. In particular, the funding will support the residential care sector.

33. Manchester's Adult Social Care Improvement Programme is driving significant change and longer term sustainability through investment in workforce, a shift of focus to ‘our people in place’ via the mobilisation of Integrated Neighbourhood Teams (INTs) and transformation to new ways of working underpinned by ‘our culture’ and the Our Manchester strategy. Significant investment has been made within the programme to deliver safe, effective and sustainable services that take a ‘strengths based’ approach to assessment and care and support planning. Mobilised INTs are beginning to realise tangible outcomes relating to joint visits with improved communication between health and social care (i.e. district nurses, social workers, GPs, care navigators, community mental health teams), streamlined referral processes and multi-agency meetings.

34. The programme will also transform how services are delivered at our ‘Front Door’ by supporting integrated responses, access to a wider range of system informatics and linking our people to innovation in care and support through a mainstreamed Technology Enabled Care offer. Our Homecare market has been re-procured and is being mobilised to integrate at place level with INTs and to better collaborate in care and support to enable better outcomes. Investment has been made in new and existing care models for example, the expansion of the Reablement Service to reach more people and to better support timely hospital discharge pressures alongside the development of a new Complex Reablement Service to support people who require a specialised, longer term approach to enablement. Plans around housing support options continue to mature with new capacity of Extra Care accommodation planned from 2020/21. These housing options create longer

term sustainable responses to care and support, reduce pressures and cost in the system and improve personal choice and independence.

35. The position reflects full spend by 31 March 2020 of the ASC Winter Pressures grant of £2.667m and part year funding for the ASC Improvement Plan of £0.797m. The Spending Round confirmed additional grant funding in 2019/20 for Better Care Fund to support adult social care, expected to be £0.896m which will be paid to Manchester Clinical Commissioning Group (CCG). Of this £483k has been committed as Manchester City Council's contribution (33%) towards the cost of additional capacity to alleviate current system pressures, principally, at Manchester Royal Infirmary. The remaining £413k has been applied to support the demand on the Homecare budget.

36. The major variances for ASC are explained in the following paragraphs. Through the partnership arrangements with MHCC for the health and care pooled budget, measures to manage spending pressures will be considered including taking into account funding available to support system resilience.

37. The most significant pressure for ASC services, which are part of Manchester Local Care Organisation (MLCO), is on the in-house Learning Disability Supported Accommodation (LDSA) budget in relation to workforce spend. The projected overspend for the service as of December is £3.587m. Individual support plans have changed due to ongoing and rising need and demand for care and support. The service has taken action to put in place a dedicated team of social workers to assess current needs and develop improved rota management practice. A significant proportion of reassessments have now been completed with a final report expected this month. MHCC has committed to assess the impact of people meeting the continuing health care (CHC) eligibility. For 2019/20 the forecast does not reflect any additional CHC income from CCG until the assessments have taken place. Further support is being provided through a review of authorisations and processes by the Council's Internal Audit service, which will also support a reconfiguration of budgets for 2020/21. An interim report of the initial findings is expected within the next month.

38. It is estimated that there will be transitional costs of moving residents of Learning Disability Supported Accommodation (LDSA) to newly built accommodation between October 2019 and July 2020, currently estimated at £300k. This will be funded from the Adult Social Care reserve with any ongoing additional costs to be met from within the service budget. To date 12 people have moved into two 20 unit properties in the North and South localities, with additional people joining in a phased approach over the coming months. The move of people into the 20 units in Central locality will commence once the building becomes available.

39. In addition to the above there are further overspends for services within the MLCO as follows:

- Community alarm overspend of £128k due to a decrease in the number of people able to contribute towards the monitoring and response service;
- Shared lives budget overspend of £372k due to an increase in the number of carers and therefore people being able to have their care needs met through a shared lives offer. This service delivers better outcomes and is more cost effective than external placements. The expansion of the service will deliver savings to the wider learning disability budget and is a model being replicated across Greater Manchester;
- Short Breaks overspend of £0.537m due to increase in demand.

40. The underspends in the MLCO services are as follows:

- Reablement £434k underspend. The vacancy assumption in the reported position is for a phased scaling up of resources in line with the delivery of new care models;
- Cash personal budgets underspend of £200k due to lower than predicted demand and a focus on ensuring allocated funding is spent appropriately;
- Day Centres of £288k are largely due to delays in recruitment;
- Staffing budgets for social workers of £245k due to recruitment timescales.

41. The residential and nursing care budget has a projected overspend of £443k, an increase of £160k since the last report. The budget includes savings of £1.084m, which equates to a reduction of 49 placements across the year, resulting from the impact of new care models. Residential and nursing placements show a net decrease of 13 compared to March 2019.

42. There is a forecast homecare budget overspend of £1.816m which is an increase of £110k since October. Progress has been made over the last few months with 10 of the 12 localities across the city now with new homecare contracts underway, expansion of Reablement continuing, roll-out of training for Strengths Based Support planning and introduction of Technology Enabled Care. It is anticipated that the new schemes which are now mobilised will have a positive impact on reducing demand for homecare in the longer term. However, the new models of care are still being embedded into the MLCO Integrated Neighbourhood Teams (INTs) care pathways and with the current pressure in the system, in particular in the hospitals, the reduction in demand is not as significant as originally anticipated in the budget .

43. A review of the deliverability of target savings totalling £4.7m from homecare has taken place. The expected delivery of savings in 2019/20 is projected to be £2.108m which is an increase in savings delivery of £112k since the last report. There is £2.425m no longer forecast to be delivered this year. Due to the recruitment delays in Reablement, £1m of investment funding agreed as part of the 2019/20 budget has been applied to mitigate the homecare pressure in 2019/20 which is reflected in the forecast. Funding of £413k from the CCG from its increased Better Care Fund allocation for adult social care has been applied to mitigate the demand on the homecare budget.

44. There is a new IT based social care system for recording care packages and making payments. The Programme Board overseeing the implementation of the system has an ongoing project to ensure a clear end to end process for the commissioning of homecare packages which will improve the reliability of data on which homecare financial projections are made. There is some confidence this is working as the number of hours has stabilised at c27,000 hours a week which is the same level as the last few months of 2018/19.

45. Commissioned services for people with a Learning Disability has a projected overspend of £0.638m which is an increase of £134k since the last report. There has been a net increase of 39 clients since the start of the year with a cost of £1.930m. The reported position reflects the allocation of £1.007m demography funding. Savings of £0.650m were agreed as part of the budget process. To date £0.575 of savings have been achieved against high cost placements following a review of packages. Whilst the Shared Lives expansion has been mobilised this is mitigating growth in demand rather than delivering spending reductions.

46. Services for people with Mental Health needs has a projected overspend of £430k, which is an increase of £10k from the last report. Since March 2019 Mental Health placement numbers have reduced by fifteen for those over 65 years old and increased by eight for those under 65 years old. However there has been a need for backpay on packages resulting from the data cleansing following the transition to the new social care system. Review of the mental health packages will continue with a view to stepping down care from residential care where it is appropriate and where there is an available suitable provision.

47. Other variations include pressures on externally commissioned supported accommodation placements of £274k due to increasing demand. Commissioning and corporate budgets have a projected overspend of £361k largely as a result of a delay in identification of contract savings of £0.5m. Carers budgets have a projected underspend of £244k based on levels of spend to date and compared to spending patterns from 2018/19.

48. These are offset by other small underspends totalling £222k.

49. For 2020/21 the proposed additional contribution to the MHCC pooled budget for ASC and Population Health is £23.3m. This includes continuation of the investment for the ASC Improvement Programme and Winter Resilience funding agreed by the Executive in February 2019, with an additional funding to reflect the full year cost in 2020/21 and additional resources to sustain services at the same levels as 2019/20 and provide new investment for Extra Care schemes and Population Health priorities. The proposed budget also includes an allocation for national living wage, pay and price inflation and for increased need during 2020/21.

Homelessness / Welfare reforms (breakeven)

50. The position reported is a projected break-even against a net budget of £13.938m. The breakeven position is being managed through ensuring that the Housing Benefit income that the Council is able to claim is maximised and the application of non-recurrent external funding supported by additional Council budget for 2019/20. The significant budget variations and risks follow:

51. Temporary Dispersed Accommodation overspend of £226k. Temporary Dispersed Accommodation is where the Council sources temporary accommodation for families who are homeless through the private rented sector. Following a significant increase since 2014, the number of families in temporary accommodation has continued to rise this year from 1,433 in December 2018 to 1,628 in December 2019, an increase of 195 for the year, an average of 16 per month.

52. The forecast full year gross spend on current dispersed temporary accommodation for 2019/20 is £14.695m, of which it is estimated £10.182m can be claimed through Housing Benefit. The Council incurs a shortfall of c£88 per week for each unit of temporary accommodation because Local Authorities are not able to access funding from the Department of Work and Pensions for the full cost of accommodation and are limited to the housing benefit rates as at 2011. As the Council is unable to claim the full housing benefit to cover the cost of temporary accommodation this will result in an estimated net cost to the Council of £4.513m. This cost will be met from additional Council budget in 2019/20 of £2.186m and Flexible Housing Support Grant of £2.101m leading to a balance remaining which an overspend of £226k on the budget.

53. There is a risk that despite significant additional investment in prevention the number of presentations in Manchester will continue to rise. If numbers continue to rise based on recent trends then the gross cost would increase by £250k in 2019/20, which would be met from further housing benefit subsidy. Work is ongoing with Registered Providers to pilot an approach to maximise eligible housing benefit which should reduce the subsidy loss for the Council. This is not expected to be in place until 2020/21.

54. Unsupported temporary accommodation (known as Bed and Breakfast) is expected to overspend by £151k based on current numbers continuing for the remainder of the financial year after utilising £424k from reserves. The use of Bed and Breakfast (B&B) accommodation during December averaged 166 single people and 105 families per night. Historic trends have seen a reduction in numbers in December but this reduction did not materialise in 2019.

55. Homelessness workforce budgets have an underspend of £377k due to vacancies. The service is working on establishing a permanent structure to considerably reduce the number of temporary posts which will then assist with recruitment and retention.

56. The financial position reflects the following non-recurrent funding allocations:

- Prevention and Flexible Homeless Support Grant of £1.005m, (allocated from the Ministry of Housing, Communities and Local Government (MHCLG)) is to be utilised to prioritise prevention activity, carry out homelessness activities in line with the principles of the Homelessness Reduction Act and reduce or eliminate the use of emergency Bed and Breakfast accommodation, particularly for periods over 6 weeks.
- Rough Sleeper Initiative (RSI) funding of £0.5m for a number of different initiatives and services that work together as an RSI Partnership, with the objective of preventing people from rough sleeping and finding accommodation for people already rough sleeping;
- MHCLG funding for Rapid Rehousing Pathway programme of £215k. Additional staff attached to the Council's Outreach Team will develop relationships and help people who sleep rough to access appropriate local services, get off the streets and into settled accommodation;
- Private Rented Sector (PRS) Access Bid of £401k to increase the existing PRS offer to landlords including assistance for deposit and bonds; and
- New burdens funding of £390k is being utilised to provide capacity to reduce demand resulting from the Homelessness Reduction Act.
- Funding of £1.438m from Greater Manchester Combined Authority (GMCA) for the 'A Bed Every Night' commitment for 2019/20 has been confirmed which will provide the equivalent of 42,732 bed nights from October 2019.
- The Council has reviewed all short term funding streams and the longer term position as part of the 2020/21 budget process.

57. Whilst the current financial position is projected to break-even there are risks from continuing rising demand as presentations for Quarter 3 of 2019/20 were 2,393, with 7,306 presentations to date, 25% higher than at this stage in 2018/19. During 2019/20 the service has implemented changes to respond to the increasing number of people and families presenting for support and to enhance preventative services.

58. A new front door team has been created for Section 21 presentations (no fault evictions). The team has worked with 859 cases since mid January 2019, preventing 522 cases, 450 of which had an invalid Section 21 notice and a further 72 were prevented following contact with the landlord. The team provides support to delay the use of temporary accommodation and support people to avoid eviction or to move in a planned way. Where there is a need for temporary accommodation the aim is to move people directly from their current property into dispersed accommodation, avoiding the use of Bed and Breakfast.

59. The 2019/20 budget included £0.5m of investment into the Inspections Team for Dispersed Accommodation and Floating Support Welfare Contact Officers which has enabled 1,110 properties to be inspected between July and December. The Welfare Contact Officers will ensure oversight and service safeguarding is maintained for all households whilst unallocated to a specific Support Worker. In addition to this, the role will oversee escalation of property issues, chasing progress on repairs and supporting residents with move on.

60. The 2019/20 budget also included £0.8m of funding for a new homelessness prevention service which will support those households identified early on as being at risk of homelessness. The is being piloted in two areas of the city, linking in with Early Help, education, health, and other locality based services, and providing a multi-agency/multi-modal prevention response to those households identified as being at risk of homelessness before they hit crisis point.

61. Adult Social Care Winter pressures grant of £279k was allocated and approved as part of the 2019/20 budget setting process to support Homelessness on a permanent basis. This is funding eight posts and links a Homelessness Support Worker to each of the three hospitals as well as Mental Health provision. In addition the funding has provided additional Private Rented Sector staffing to ensure that people are discharged from hospital with a permanent accommodation offer.

62. The Homelessness 2020/21 budget proposals plan for additional investment of £2.352m to meet the estimated cost of rising need for temporary accommodation, making permanent the temporary grant funded workforce capacity that is having the greatest impact and providing sustainable funding for the Longford Centre. Whilst the budget makes provision for continued increase in the need for temporary accommodation, there are spending reductions of £1m estimated from piloting a new approach to effectively access housing benefit for temporary accommodation working with Registered Providers.

63. The proposed budget reflects funding announcements for homelessness and rough sleeping which were released in late December of £2.1m for the Flexible Housing Support Grant and £461k for new burdens from the Homelessness Reduction Act. The Council also currently receives government funding for Prevention of £202k and additional Flexible Housing Support Grant of £0.803m in 2019/20. Continuation of this funding has not yet been confirmed. Whilst the Council awaits the outcome of the allocation of the remainder of the Government grant funding, resources of up to £1.5m held within the Adult Social Care reserve will be set aside to underwrite the potential pressures in Homelessness.

Corporate Core (£2.851m underspend)

64. The Corporate Core overall position is made up of underspends in both Chief Executive's £50k and Corporate Services £2.801m; this is an increased underspend of £0.545m since the previous report to Executive as at October.

65. The Chief Executive's underspend of £50k is an improvement of £375k from the overspend of £325k that was previously reported. The main changes being due to the increase in external legal income.

66. The forecast £50k underspend is made up a combination of staffing savings due to vacant posts across Legal Services (£250k) Communications (£40k)

and increased income in Legal Services (£300k), Registrars (£125k) and £135k over achievement of income from the purchase of annual leave. These underspends are offset by £0.550m additional Coroners costs due to a combination of both increased number of cases and complexity of cases, and £250k overspend in elections due to the higher than forecast cost of running three elections this year.

67. Corporate Services is projecting a £2.801m underspend, and this is an increase of £170k since the last report. The change is largely due to further staff savings across the service.

68. The overall underspend is primarily made up of staff savings of £2.286m, this is due to a combination of £1.7m savings because of vacant posts and £0.586m due to posts not being at the top of the grade.

69. There is also £420k underspend in ICT due to a lower forecast spend against resources allocated to fund projects; £100k additional income in Capital Programmes; a £30k underspend on Corporate items due to a reduced audit fee and a £35k overspend in the Shared Service Centre due to reduced income and on overspend on running costs.

70. As part of both the ongoing Our Transformation work, and the 2020/21 budget preparation, work has been done to identify how functions work better across the Core. This has enabled teams to identify a number of vacancies that can be deleted from structures and also review how staffing budgets are set in order to ensure that they are reflective of likely turnover. This has enabled resources to be realigned to meet Council priorities. The outcome from this work has been included within the Corporate Core budget proposals for 2020/21.

Neighbourhoods and Highways Directorate (£1.498m underspend)

71. Neighbourhoods and Highways are forecasting an underspend of £1.498m, this is £88k lower than the previous report to Executive and is made up of underspends in Neighbourhood Services of £0.589m and Highways Services of £0.909m.

72. Within Neighbourhoods Services there is a projected underspend of £1.140m on Community Safety and Compliance, City Centre Management, Licensing and the Out of Hours Team mainly due to employee underspends resulting from pay budgets being set at the top of payscale levels which are above the current actual salary costs (as people move through the grade range), turnover, and vacancies arising from new roles being created. Recruitment to any remaining vacancies is ongoing and a number of posts were appointed to in December 2019.

73. The waste management budgets have increased in year mainly due to inflationary increases in line with the contract and the in year virements as set out in paragraph 3. The service is forecasting a balanced budget.

74. There is a forecasted £120k overachievement of income in other Business Units, £90k due to increased burials and cremations in Bereavement Services and £30k from Pest Control due to increased income from the Manchester Fayre.

75. This is mainly offset by £0.702m lower than forecast income in Manchester Markets primarily due to the decline in tenants at New Smithfield Market, the Sunday Market Car Boot Sale and the loss of space in Albert Square for the Christmas Offer.

76. Other budget variations totalling a net underspend of £31k.

77. The Highways Service has a projected underspend of £0.909m this is due to higher than forecast income from commercial income for works on minor schemes £0.521m, additional fee income from the capital programme £257k and increased pay and display car parking fees £232k. This is reduced by £101k due to repair costs on CCTV of £41k and the Exchange water feature £60k

78. As part of the directorates 2020/21 budget proposals there are efficiency proposals totalling £2.324m arising from a combination of achieving increased income and revising how staffing budgets are set. Around £0.754m of the identified efficiencies are to be realigned within the service to offset ongoing pressures mainly at New Smithfield Market and the Sunday Market Car boot sale.

<u>Growth and Development (£475k underspend)</u>

79. The Directorate is forecasting to underspend by £475k as at the end of December, this is a positive movement of £475k since the last report to Executive when a breakeven position was reported. The main reason for the improvement is increased income across the investment estate.

80. The Directorate is forecasting total overspends of £316k and they consist of Operational Property overspend £212k due to a combination of increased utility and repairs and maintenance costs and reduced income from the operational estate, and City Centre Regeneration projects £104k.

81. These are offset by underspends totalling £0.791m; these are due to:
- net increased rental income within the investment estate of £475k, and;
- staffing savings of £316k mainly due to staff vacancies reduced, made up of Housing and Residential growth (£82k) and Planning and Building control (£138k), Facilities Management (£85k) and Work and Skills (£11k), by a shortfall of income from the Arndale Centre and increased regeneration property costs.

82. Although the investment estate is currently forecasting an underspend, the rental income forecast does include a number of assumptions. Officers are continuing to work with third parties in order to ensure that these are accurately reflected.

Housing Revenue Account (£13.771m underspend)

83. The Housing Revenue Account (HRA) is forecasting a £13.771m favourable variance, which is an increase of £6.294m since the last report to the Executive. The main reason relates to a reduced call on revenue to fund the current year capital spend. This is because large parts of the improvement works within the capital programme relate to sprinkler installations and works have been put on hold whilst fire risk assessments have been completed. The resulting works arising from the assessments will be undertaken as priority works.

84. The total underspend is made up of a reduced revenue contribution to capital projects totalling £11.997m, a £1.648m underspend on Private Finance Initiative (PFI) costs as a result of rescheduling the planned capital investment (with works slipping into 2020/21), and a number of smaller underspends totalling £380k. These are offset by a number of small overspends totalling £254k.

85. The HRA is a ringfenced account and any in year surplus/deficit has to be transferred to or from the HRA reserve. The approved 2019/20 HRA budget included a £10.348m draw down from the HRA reserves, but due to the re-phasing of both the PFI expenditure and planned capital expenditure it is now forecast that £3.423m will be transferred to reserves. This would leave a balance of £75.2m in the HRA General Reserve at year end.

Budgets to be Allocated

86. In line with the 2019/20 budget report to the Executive in February 2019 the budgets for inflationary pressures, contingency and specific items set aside are allocated on the assessment of individual business cases, approved by the Executive Member for Finance and Human Resources and the Deputy Chief Executive and City Treasurer. The following allocations are recommended for approval:

- £499k from budgets to be allocated to Children's Services for young people leaving care supported accommodation. This will fund price per week increases of £96.86 for 99 placements. Young people that have been placed in leaving care supported accommodation placements have often been through several placements and are usually the most vulnerable children in the care system. They are often placed in accommodation that supports their individual needs and provides the support they still require. Due to limited supply and higher level of demand for this kind of supported accommodation, placement prices are high.
- £0.805m from budgets to be allocated for waste management. This will enable the Council to meet the contractual inflationary cost increase of the new Waste Collection and Street Cleaning Contract delivered by 'Biffa Municipal Limited' which commenced on the 4 July 2015. This

budget allocation is not reflected in the revised budget shown in the table above, however, it is reflected in the reported position.

Transfer from Reserves

87. A drawdown request for the following reserve has been submitted:

- New Smithfield market – £443k. There are significant challenges on New Smithfield Market with regard to maintaining a safe environment due to the deterioration of the buildings. It is proposed that a phased approach will make safe the site as it stands currently, and provision is made for future proofing the business which will include further large scale investment by the Council (c3 years). This request to release reserve funding for Phase 1 includes 3 projects: External Consultation for Options Appraisal - £107k, Pedestrian Walkway - £281k and Relocation of Waste Processing Function - £55k.

Grants allocated to Manchester City Council in year

88. Notifications have now been received in relation to specific external grants. These allocations were not confirmed at the time of the 2019/20 budget setting process and therefore have now been considered through the in-year Revenue Gateway process. These include:

- Urbix Demand Analysis tool – Innovate UK bid - £48k. This is the full cost of a 12-month fixed term Senior Research Role to work with external partner (Urbix) on the Innovate UK bid/project. The role would sit on Council's establishment (PRI staffing structure) and would be offered through normal recruitment process as a Fixed Term position for 12 months (1/4/20-31/3/21). The post would be disestablished at the end of the project.

Savings 2019/20

89. The 2019/20 budget process identified £14.798m of savings and budget reductions to be delivered in 2019/20.

90. Each saving has been reviewed and has been rated as either red, amber or green. The colour categorisation for the savings is as follows:

- Red savings are high risk and although a plan is place there are significant risks associated with realising the saving and they are not assumed within the revenue forecast;
- Amber savings have plans in place but have moderate risk associated with realising the saving. These are reflected as achieved in the Directorate's forecast position; and
- Green savings have already achieved or are on track to achieve with little or no associated risk.

	Green £000	**Amber** £000	**Red** £000	**Total** £000	**Non recurrent / Investment** £000	**Net Total as per MTFP** £000
Children's Services	876	1,476	301	**2,653**	392	3,045
Adults and Social Care	1,120	2,788	4,000	**7,908**	(5,915)	1,993
Homelessness	0	0	440	**440**	0	440
Corporate Core	3,349	0	0	**3,349**	0	3,349
Neighbourhoods	4,951	0	0	**4,951**	0	4,951
Growth and Development	1,020	0	0	**1,020**	0	1,020
Total Budget Savings	**11,316**	**4,264**	**4,741**	**20,321**	**(5,523)**	**14,798**

91. Delivery of amber and red savings will continue to be tracked and reported, and mitigations identified, where possible, to address the 2019/20 financial pressures. The red and amber rated savings are detailed below.

<u>Children’s Services</u>

92. Red rated savings totalling £301k

- Adoption Allowances £107k (74%), placements are in line with budget but actual unit costs are 10% higher than budgeted. The service is reviewing all allowances in line with policy.
- Home to School Travel £194k (26%) due to activity levels continuing to run higher than last year.

93. Amber rated savings totalling £1.476m:

- Leaving Care £309k (100%) due to placements being higher than budgeted following extension of support up to the age of 25 in line with the Children and Social Care Act 2018.
- Travel coordination £90k (100%) due to activity levels continuing to run higher than last year.
- Review of further commissioning £100k (100%), due to commissioning targets not achieved. Work is ongoing with the CCG to progress joint review and commissioning arrangements for children and young people with complex needs.
- Market management for placement costs £400k (100%) due to placement costs exceeding weekly unit costs. Work is ongoing with

- Commissioning to review contract prices in line with inflation and pay awards.
- Adoption allowances £38k (26%) due to placement numbers / costs exceeding weekly unit costs. Work is ongoing with Commissioning to review.
- Home to school transport £0.539m (74%) due to activity levels continuing to run higher than last year.

Adult Social Care

94. Red rated savings totalling £4.000m:

- Reablement savings risk of £1.693m (53%) as a result of delays in mobilising the expanded service due to recruitment delays.
- Assistive Technology £0.578m (50%) due to the delay in mobilisation of the service due to lead time for procurement.
- High Impact Primary Care £153k (100%) from Residential, Homecare and Social Work. Whilst the service is delivering improved outcomes it is not yet achieving a net reduction in demand.
- Strength based support planning in Mental Health services £430k (55%) which is dependent on the outcome of ongoing reviews.
- Strengths based support planning for other Adult Social Care £198k (40%) rated as high risk. The changes to practice and training are now being rolled out but there is likely delay in full implementation.
- Homecare £373k (50%) rated high risk due to the revised timescales to implement the new homecare contract across all localities.
- Contract review £0.5m (100%). Further work is being undertaken to link into other service savings to assist with delivery.
- Shared lives savings of £75k (50%) which is due to delay in recruitment.

95. Amber rated savings totalling £2.788m:

- Assistive Technology £0.584m (50%) due to the delay in mobilisation of the service due to lead time for procurement. Promotional events are being held to generate interest and support across all service areas.
- Reablement savings risk of £1.525m (47%) as a result of delays in mobilising the expanded service due to recruitment timescales. A number of deep dives have been undertaken and work is ongoing with Service Leads to improve contact time. Implementation of new staffing rota should assist in this area.
- Homecare new contacts £377k (50%) rated amber risk due to the revised timescales to implement the move to the new homecare contract. Five neighbourhoods across the city are now fully mobilised, five are in transition to their new provider and two are yet to be mobilised. For those which are fully mobilised, work has started with those providers to implement the new model from which potential savings may be achieved.
- Strengths based support planning for other Adult Social Care £302k (60%) rated as amber. Initial training was completed in December with a quality assurance process now being developed which will allow

managers to report what is working well and what could be improved. It is still early days to measure the impact on packages of care.

Homelessness

96. Red rated savings totalling £440k:

- Historically numbers in Bed and Breakfast (B&B) numbers have fallen each year in December, however this year no reduction has been seen and presentations total 7,306 to date with over 10,000 households expected to approach the service in 2019/20. The drawdown of the reserve of £424k mitigates this pressure in year. The Section 21 team is preventing an average of 40 cases per month entering B&B accommodation.

Investment Priorities 2019/20

97. In 2019/20 the Council committed to £31.863m of investment priorities. An update on these investments to the end of December is shown in Appendix 1.

Conclusion

98. Overall the projected variance of spend to budget for 2019/20 is an overspend of £2.790m.

99. As set out in this report, the position reflects the latest saving achievements and, where applicable, mitigation to offset pressures across service areas. Whilst such work continues it is acknowledged that the pressures being experienced in Children's Services and Adult Social Care are significant and reflective of the national picture.

100. There are some potential additional resources which may be deployed before the end of the financial year to reduce the forecast overspend. However, it is also recognised that the spend position carries some risk for the final quarter of the financial year. This will be closely monitored and portfolio holders will continue to seek mitigations in consideration of longer term implications.

101. The Council's Budget Strategy from 2020/21 has been updated to reflect the 2019/20 position and Government funding announcements arising mainly from the Spending Round and the provisional Local Government Finance Settlement.

Recommendations

102. The recommendations appear at the front of this report.

Appendix 1: 2019/20 Investment Priorities

Investment Priorities	2019/20 Investment £000	2019/20 Investment to Date £000	2019/20 FY Committed Investment £000	Objective / Update on progress / Outcomes
Children's Investment				
Looked After Children	12,931	12,931	12,931	Investment enables provision of children’s placements, the Regional Adoption Agency, Children's Mental Health Services (CAMHS) and other safeguarding services in 2019/20 and is fully utilised. This is further supported by funding allocations and reserves.
Early Years	500	500	500	Early Years reinvestment has been made to support the delivery of the service.
Total Children's Investment	13,431	13,431	13,431	
Adult Social Care Investment				
Additional capacity in Social Work, Safeguarding, the Citywide Care Homes Team, the Learning Disability service and other specialist services. Greater internal capacity for Best Interest Assessors supporting Deprivation of Liberty Safeguards	1,067	708	1,067	Recruitment to address significant challenges identified by incoming Director of Adults Social Services. Progress is positive with 82% of permanent roles recruited to, and 100% of time limited roles recruited to. For remaining roles (particularly the Best Interest Assessor roles) recruitment and interviews are ongoing so start dates expected in the next few months.

Investment Priorities	2019/20 Investment £000	2019/20 Investment to Date £000	2019/20 FY Committed Investment £000	Objective / Update on progress / Outcomes
Development i.e. social work career pathway and additional team manager capacity for the in-house Learning Disability Accommodation Service	500	154	500	To aid recruitment and retention of social workers a career pathway is being developed. Proposal discussed at Improvement Board and discussion with Unions to be scheduled. Modelling of possible cost implications completed.
Enable permanent recruitment to posts funded via Adult Social Care seasonal resilience funding	1,456	1,435	1,456	Roles identified to support work across the system in order to improve discharge from hospital. c97% of time limited roles have been recruited to.
Seasonal resilience funding for additional winter arrangements such as placement costs as agreed between partners	1,211	1,140	1,211	Smooth the pressure from increased package costs across the winter months. Additional provision to be purchased as required to ensure speedy discharge from hospital.
New Care Models	3,343	3,343	3,343	Investment in New Care Models.
Net Investment agreed during 2018/19 budget setting	3,840	3,840	3,840	Investment to meet need (part of £15m requirement over 2 years)
Total Adult Social Care Investment	11,417	10,620	11,417	
Homelessness Investment				
Homelessness - enhanced enforcement activity in the private rented sector	500	375	500	£0.5m investment into the Inspections Team for Dispersed Accommodation and Floating Support Welfare Contact Officers. This will ensure that there is sufficient capacity to make sure that properties

Investment Priorities	2019/20 Investment £000	2019/20 Investment to Date £000	2019/20 FY Committed Investment £000	Objective / Update on progress / Outcomes
				are up to standard and ensure service safeguarding and oversee escalation of property issues.
Investment agreed during 2018/19 budget setting	3,840	2,880	3,840	To support prevention and temporary accommodation including Bed and Breakfast
Demography agreed during 2018/19 budget setting	250	250	250	The Demography provision has been applied.
Total Homelessness Investment	4,590	3,505	4,590	
Neighbourhoods Investment				
Neighbourhoods - Support Food Inspections	255	0	55	Increase the number of food safety inspections, allergen control checks, imported food controls at Manchester Airport and strengthen management oversight. Posts assumed to be filled by the end of May 2020. Recruitment was on hold pending the outcome of job evaluation for certain posts. Short term agency cover is likely for Feb/Mar.
Neighbourhoods - Further action to tackle littering, fly tipping and poor business waste management	500	257	465	To tackle and ultimately reduce the increasing number of commercial and refurbishment waste being fly tipped in particular hot spots throughout the City. The volume of fly tipping reports was 26,390 in December and remains significantly down on the

Investment Priorities	2019/20 Investment £000	2019/20 Investment to Date £000	2019/20 FY Committed Investment £000	Objective / Update on progress / Outcomes
				previous 12 months.
Neighbourhoods - Anti Social Behaviour (ASBAT)	420	74	215	Provide additional funding for the Anti Social Behaviour (ASBAT) team to address additional number of cases of anti-social behaviour across the city, delivering prevention, intervention and support to help reduce ASBAT. The funding will be used to provide additional officers, management and support capacity across the city. New posts are now approved by HR and recruitment is anticipated to be complete in April/May 2020.
Youth Funding	150	42	150	Ideas are being developed for various schemes to progress in 2019/20. From 2021 consideration is to be given to part funding the revenue costs of the Gorton youth hub. Youth element and stages at Manchester Carnival and sports provision.
Total Neighbourhoods Investment	1,325	373	920	
Corporate Core				

Investment Priorities	2019/20 Investment £000	2019/20 Investment to Date £000	2019/20 FY Committed Investment £000	Objective / Update on progress / Outcomes
Core - Welfare Reform support from additional Council Tax revenues	1,100	836	1,100	To support additional Discretionary Housing payments. Currently c81% of the total budget has been committed which is at a similar level to last year.
Total Corporate Core Investment	1,100	836	1,100	
Total Investment	**31,863**	**28,765**	**31,458**	

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Manchester City Council
Report for Resolution

Report to: Executive – 12 February 2020

Subject: Capital Programme Monitoring 2019/20 - Period 9

Report of: The Deputy Chief Executive and City Treasurer

Summary

This report informs members of:

(a) Progress against the delivery of the 2019/20 capital programme to the end of December 2019.

(b) The revised capital budget 2019/20 taking account of changes between the approved capital budget and any further changes occurring in year.

(c) The latest forecast of expenditure and the major variances since the Capital Programme Monitoring report submitted in November 2019.

(d) The impact any variations may have on the Capital Programme for the period 2019/20 to 2024/25.

Recommendations

The Executive is requested to:

1. recommend that Council approve the virements over £0.5m between capital schemes to maximise use of funding resources available to the City Council set out in Appendix A.

2. approve virements under £0.5m within the capital programme as outlined in Appendix A.

3. note that approvals of movements and transfers to the Manchester City Council capital programme, will reflect a revised total budget of £248.0m and a latest full year forecast of £248.9m. Expenditure to the end of December 2019 is £130.1m.

4. note that approvals of movements and transfers to Capital Programme on behalf of Greater Manchester, will reflect a revised total budget of £70.0m and a latest full year forecast of £70.0m. Expenditure to the end of December 2019 is £49.5m.

5 note the budgets approved in February 2020 by the Executive Member for Finance and Human Resources and the Deputy Chief Executive and City Treasurer under delegated powers in Appendix C.

Wards Affected: All

Environmental Impact Assessment - the impact of the decisions proposed in this report on achieving the zero-carbon target for the city
Under the governance process for capital expenditure decision making, zero and low carbon measures are a key component. All capital projects are reviewed throughout the approval process with regard to the contribution they can make to Manchester being a Zero-Carbon City. Projects will not receive approval to incur costs unless the contribution to this target is appropriate.

Manchester Strategy outcomes	**Summary of the contribution to the strategy**
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	The capital programme contributes to various areas of the economy including investment in public and private sector housing, education and children's social care, transport infrastructure, major regeneration activities, environmental, cultural and leisure services.
A highly skilled city: world class and home grown talent sustaining the city's economic success	The capital programme includes substantial investment in education and also provides opportunities for the construction industry to bid for schemes that could provide employment opportunities at least for the duration of contracts.
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	The capital programme includes investment in adult and children's social care, education, housing and the environment, cultural and leisure services, all of which contribute towards the strategy.
A liveable and low carbon city: a destination of choice to live, visit, work	Investment in all areas of the capital programme contributes towards this community strategy, notably the investment in sustainable and affordable housing, building schools for the future, transport, environmental and major regeneration programmes.
A connected city: world class infrastructure and connectivity to drive growth	The capital programme includes investment in highways infrastructure, and broadband expansion.

Full details are in the body of the report, along with any implications for:

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

All Revenue consequences are included in the current Revenue Budget.

Financial Consequences – Capital

The latest forecast of expenditure for 2019/20 for the Manchester City Council capital programme is £248.9m, compared to a proposed revised budget of £248.0m, an overspend of £0.9m. Spend to date is £130.1m.

The latest forecast for the capital programme held on behalf of Greater Manchester is £70.0m, compared to a proposed revised budget of £70.0m. Spend to date is £49.5m.

The programme is subject to continual review to establish whether the forecast remains achievable. Whilst the intention is for the City Council to progress the programme as stated, some projects and their sources of funding may require re-profiling into future years.

The Greater Manchester programme consists of legacy schemes hosted by the City Council before borrowing powers were granted to the Greater Manchester Combined Authority (GMCA) which also monitors the projects. Following the granting of the relevant borrowing powers, the debt associated with the programme novated last financial year, and during this financial year a number of the loans provided to third parties have transferred across.

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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.

- Report to the Executive 13th February 2019 – Capital Strategy and Budget 2019/20 to 2023/24
- Report to the Executive 13th March 2019 – Capital Programme – Capital Programme Update
- Report to the Executive 26th June 2019 - Capital Programme Outturn 2018/19
- Report to the Executive 26th June 2019 - Capital Programme - Capital Programme Update
- Report to the Executive 24th July 2019 – Capital Programme – Capital Programme Update
- Report to the Executive 11th September – Capital Programme – Capital Programme Update
- Report to the Executive 16th October - Capital Programme - Capital Programme Update
- Report to the Executive 13th November – Capital Programme – Capital Programme Update
- Report to the Executive 13th November – Capital Programme Monitoring 2019/20 Period 6
- Report to the Executive 19th December – Capital Programme – Capital Programme Update
- Report to the Executive 15th January – Capital Programme – Capital Programme Update
- Report to the Executive 12th February – Capital Strategy and Budget 2020/21 to 2024/25

1 Introduction

1.1 The purpose of the report is to:

- Provide an update to members on the progress of the capital programme in the nine months to the end of December 2019.
- Inform members of the latest estimates of capital expenditure for 2019/20 and to show forward commitments into the 2020/21 to 2024/25 capital programme.
- Confirm that there are adequate levels of resources available to finance the capital programme.

1.2 This report will provide information on the activities undertaken in delivering the programme and the risks associated with the works, as well as the financial monitoring and changes required.

1.3 A summary of each part of the programme is included within the report, providing details on the major projects and risks for that area. This is presented alongside a summary of the financial position, and any changes to the budget that are required.

1.4 Appendix A details the virements requested across the programme since Executive approved the revised capital budget in November 2019. Appendix B details the revised capital budget for each project, taking into account the virements requested, and any re-profiling between years which has been identified. Appendix C notes the budgets approved under delegated powers in February 2020.

2 Contributing to a Zero-Carbon City

2.1 To reflect the climate change emergency that the Council has declared, the capital expenditure business case template has been updated to include a carbon measure for both during the project progression stage and the ongoing lifecycle post completion. The intention is that the carbon footprint of a scheme is considered as part of the decision making process. This work is ongoing and will reflect the decisions taken by the Council on how it will meet the future carbon reduction targets in order to become carbon neutral by 2038.

3 Capital Budget

3.1 The Capital Budget for the period 2019/20 to 2023/24 is currently £1,336.1m. This is an increase of £26.3m compared to the budget approved at Quarter 2 by the Executive in November 2019.

3.2 The profile before the changes proposed in this report, is shown in the table below:

Capital Programme 2019-2025	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	Total Programme £m
Capital Budget (June 19)	509.3	434.1	244.7	96.1	48.2	**1,332.5**
Capital Programme Update (Approved June 19)	3.3	-3.2	0.0	0.0	0.0	0.1
Capital Programme Update (Approved July 19)	0.4	-2.3	-0.9	0.0	0.0	-2.8
Capital Programme Update (Approved September 19)	4.6	-2.1	0.4	0.0	0.0	2.9
Capital Programme Update (Approved October 19)	0.6	-0.1	0.0	0.0	0.0	0.5
Capital Programme Monitoring Quarter 2	-72.8	-8.1	28.7	25.8	3.0	-23.4
Capital Programme Update (Approved November 19)	1.5	1.1	0.6	0.0	0.0	3.2
Capital Programme Update (Approved December 19)	0.6	0.4	0.0	0.0	0.0	1.0
Capital Programme Update (Approved January 20)	14.5	0.2	7.2	0.0	0.0	21.9
Capital Programme Update (Approved February 20)	0.0	0.2	0.0	0.0	0.0	0.2
Revised Capital Budget	**462.0**	**420.3**	**280.7**	**121.9**	**51.2**	**1,336.1**
Of which:						
Manchester City Council Programme	310.8	382.4	280.7	121.9	51.2	**1,147.0**
Programme on behalf of Greater Manchester	151.2	37.9	0.0	0.0	0.0	**189.1**

3.3 The proposed revised capital budget for the period 2019/20 to 2023/24 following the variations proposed in this report can be found in Section 16.

3.4 The figures shown above include those approved by the Executive Member for Finance and Human Resources and the Deputy Chief Executive and City Treasurer under delegated powers. Delegated budgets approved in February 2020 can be found at Appendix C.

4 Projects carried out on behalf of Greater Manchester

4.1 The Housing Investment Fund, which was administered by the City Council on behalf of the Greater Manchester Combined Authority and forms the “Programme on behalf of Greater Manchester” budget, is in the process of being novated across to the Authority following changes to the borrowing powers the Authority holds. The current programme is forecasting spend of £70.0m against a budget of £151.2m, as a number of the investments have now novated across to Combined Authority and therefore for those investments no further advances will come from the City Council. The Council will be left with a handful of loans which are due to be fully repaid during this financial year.

4.2 The rest of this report will focus on the City Council's Capital Programme.

5 Capital Programme Forecast 2019/20

5.1 The latest forecast of expenditure for the Manchester City Council Capital Programme in 2019/20 is £248.9m compared to the current budget of £310.8m. This includes a total forecast overspend of £0.9m against various projects. The variations, by service area, are shown in the table below.

5.2 The tables in this report now show the budget approved by the Executive in February 2019 as part of the budget process, alongside the current revised budget and the latest forecast. The intention is that, by including this information, there is clear transparency in how budgets have changed.

Capital Programme 2019/20 budget, forecast and spend to date at 31st December 2019

Manchester City Council Programme	Budget set in Feb 19 £m	Revised Budget £m	Forecast £m	Variance £m	Spend to Date £m	Spend to Date as % of Forecast
Highways	56.3	62.5	57.8	-4.7	38.2	66.1%
Neighbourhoods	25.6	14.5	8.6	-5.9	5.1	59.3%
Growth and Development	127.1	116.5	89.3	-27.3	50.6	56.7%
Town Hall Refurbishment	24.4	21.9	17.1	-4.8	7.6	44.4%
Housing – General Fund	24.7	17.5	10.3	-7.2	7.1	68.3%
Housing – Housing Revenue Account	30.0	26.8	19.7	-7.1	8.5	43.1%
Children's Services	39.0	27.7	25.2	-2.5	5.1	20.2%
ICT	11.3	6.1	5.7	-0.4	4.0	70.2%
Corporate Services	20.7	17.3	15.3	-2.0	4.0	26.1%
Manchester City Council Programme	**359.1**	**310.8**	**248.9**	**-61.9**	**130.1**	**52.3%**
Programme on behalf of Greater Manchester	146.5	151.2	70.0	-81.2	49.5	70.6%
TOTAL	**505.6**	**462.0**	**318.9**	**-143.1**	**179.6**	**56.3%**
	Reprofiling			-62.5		
	Cost Variations			-81.5		
	Net over (under) spend			0.9		

5.3 Since the February 2019 budget report there have been additional projects added to the capital programme. Further to this, at both outturn for 2018/19 financial year and period 6 for 2019/20, the budgets were revised to reflect the expected future profile of spend. This will explain the majority of the differences between the two budgets for 2019/20 shown. The explanations for the variances reported at outturn and period 6 can be found in previous monitoring reports.

6 Summary of Main Changes to the Revised Budget

6.1 The nature of the capital budget is to ensure there is transparency and flexibility to manage the funding across the life of projects. As such some variations within the year are to be expected as projects are developed, and budgets are re-profiled on a quarterly basis through approval from Executive in order to reflect these changes.

6.2 The main changes to the programme since the revised budget reported to Executive in November are as follows:

Highways

- Due to design issues at a number of junctions within the Schools Crossing scheme, £1.7m budget will be moved into next financial year.
- Due to a change in the number of units required for the programme to completion on the Street Lighting PFI scheme, a total of £1.6m will be moved in to 2020/21.
- Following a review called for by Transport for Greater Manchester (TfGM) of the Mancunian Way and Princess Parkways National Productivity Investment Fund (NPIF) scheme, the budget will be re-profiled by £1.1m in to next financial year.

Neighbourhoods

- Whilst the potential use of electric vehicles are being explored, no more vehicle purchases are expected this financial year within the Waste contract, and so the remaining £3.8m budget will be moved in to next financial year.
- Due to the first phase of the Waste Reduction Measures scheme in apartments taking longer than anticipated, £1.2m has been moved in to next financial year.

Growth and Development

- As per the latest milestone payment schedule, the Civic Quarter Heat Network Project has been re-profiled by £5.5m in to next financial year. Works are reported as on programme with buildings scheduled to start using the gas and electricity from the network from winter 2020 once they have been connected.
- The Carbon Reduction Programme budget has been re-profiled as contracts are now due to be issued later than originally anticipated. An updated schedule of works means that a total of £5.3m will be moved in to next financial year.
- Due to a change in timing of the drawdown for the Manchester College loan, a total of £5.0m will be moved in to 2020/21.
- The Factory budget has been re-profiled in line with the latest construction programme and revised fees. As a result £4.5m has been moved in to future years.

- Due to a change in scope requested from the end user, and contingency budgets not being fully utilised in 2019/20, £1.4m for the Heron House project will be moved in to 2020/21.

  Our Town Hall

- The Our Town Hall Project budget has now been re-profiled based on the current programme of works for a number of work packages. A total of £4.8m will be moved in to next financial year.

  Housing – General Fund

- Following the decision not to proceed with the original Registered Provider (RP), the £2.0m budget for the Empty Homes Scheme will be moved in to 2020/21. A new RP has now been selected and the single payment of a s.22 grant is expected to be made next financial year for the works to be carried out to bring empty and surplus to requirement houses back in to use for affordable home ownership.

  Children's Services

- Whilst a consultation is held with Special schools on its proposed use, the £1.2m unallocated Special Provision capital fund budget will be moved in to next financial year.

  Corporate Services

- The Integrated Working – Gorton Health Hub project requires re-profiling of £1.6m in to next financial year, due to the timing of signing the complex multi-party agreements delaying the approval process.

6.3 The above variances and other smaller variances are explained in greater detail by service area below. The position will be closely monitored with the final outturn position being highly dependent on schemes continuing on schedule and delivering to plan.

<u>Programme Risks</u>

6.4 The Capital Budget is prepared on the best estimate of the spend profile for each scheme across its life. As schemes develop the profile of spend may change, depending on circumstances. The format of this report is intended to highlight the total life and cost of schemes, and the risks associated with their development.

6.5 All projects carry risk such as delivery risk, third party risk and market risk, including build cost inflation risk which is discussed below. Whilst the updated forecasts reflect officers expectations based on existing and planned works, these may change as projects develop and in response to wider market changes.

6.6 General inflation in the North West (NW) construction market has not reduced as predicted over the 2018/19 period and the Manchester Market has become more pronounced due to the large volume of construction work that has taken place over the past 3-4 years and continues to take place. Forecasting inflation indices for the general North West region over the coming years are predicted by leading cost consultancy companies to maintain a fairly flat and low trend. The predicted indices are showing an increase of 1.5% per annum for the next 3 years. Building Construction Information Service (BCIS), part of the Royal Institute of Chartered Surveyors (RICS) are indicating a slightly higher increase for the UK average, although this does factor in London.

6.7 There is a view that whilst in the general NW region activity will cool off slightly over the next few years, the level of activity in the centre of Manchester will continue for some time yet. There is a 'wave' of city centre commercial projects all set to move forward over the next few years which, it is anticipated, will take up any reduction in activity in the residential construction sector. In terms of Central Manchester therefore over the coming few years construction output it is still expected to see prices being high, inflation at above average levels (up to 4-5% per annum as a general view across the market in Manchester whereas individual projects could be higher depending on project duration and inflation forecast in their respective cost plans c7-14%) and there is not much evidence of downturn in demand or workload.

6.8 As it is difficult to assess the impact on project budget requirements until work packages are tendered, the Council's capital strategy elsewhere on this agenda proposes that provision for inflation is made within the overall capital programme funded from borrowing. It is intended that some of the capital inflation provision will be allocated across impacted schemes when the capital budget position is updated at Outturn in May.

6.9 The nature of the capital programme is that it contains a number of budgets where expenditure is later approved when the project is developed and the project milestones and payment timescales become clearer.

6.10 The programme also contains some budgets which are yet to be allocated to specific projects but are reserved for a specific purpose, such as Education Basic Need funding for additional school places, the Highways Investment Fund and the ICT Fund. This is predominantly because the future projects are not yet at the stage where procurement can take place, or are dependent on other projects completing. Once projects are approved through the Council's capital approval process the budgets will be allocated and the Capital Budget updated accordingly.

6.11 This creates some uncertainty in the programme, but ensures that the programme reflects the likely use of resources and enables agile approval processes for relevant projects as they are developed. These budgets are carefully monitored throughout the financial year and, if the expected programme of works changes, the impact on the forecast will be reported at the earliest opportunity.

6.12 Detailed by service area below is a summary of the value of outstanding programme approvals that have not yet been approved to spend. This includes budgets yet to be allocated to specific projects but reserved for a specific purpose and budgets assigned to projects where the detailed spend allocation is not yet approved, such as ‘Our Town Hall’.

Manchester City Council Programme	**Budget yet to be allocated £m**
Highways	41.6
Neighbourhoods	12.4
Growth and Development	73.2
Our Town Hall	244.0
Housing – General Fund	20.2
Housing – Housing Revenue Account	31.1
Children’s	91.4
ICT	23.2
Total	**537.1**

6.13 Specific risks have been identified across the capital programme and are detailed in the relevant section below. Whilst efforts have and will be made to mitigate these risks, they cannot be removed and therefore the future forecast may change.

7 Highway Services Programme

7.1 The schemes within the current Highways portfolio include the highways improvement investment fund, projects to improve and increase the use of cycle routes which relieve congestion and reduce air pollution from CO_2 emissions, improvements to pedestrian access in areas in the City, improvements to safety measures and schemes to reduce energy consumption for street lighting.

7.2 The main variances from the original budget set in February 2019 and before the proposals noted in this report are as follows:

- During the final quarter of 2018/19 and first half of 2019/20, various projects within the Highways Planned Maintenance Programme progressed better than expected, resulting in £2.3m budget being accelerated from future years.
- As a result of the main contractor going into administration, £2.3m for the Manchester/Salford Inner Relief road (MSIRR) project was moved in to this financial year whilst a new contractor was selected.

7.3 The Highways capital programme is currently forecasting to spend £57.8m compared to a budget of £62.5m, a variance of £4.7m. Spend to date is

£38.2m, or 66.1% of the current forecast. The programme is shown in the table below:

Highways	19/20 Spend to date £m	19/20 Budget set in Feb 19 £m	19/20 Revised Budget £m	19/20 Forecast £m	19/20 Variance £m	All Years Budget £m	All Years Forecast £m	All Years Variance £m
Highways Planned Maintenance Programme	14.4	18.1	20.4	20.5	0.1	113.3	112.8	-0.5
Manchester/Salford Inner Relief Road (MSIRR)	7.7	5.6	7.8	9.8	2.0	13.9	16.1	2.2
Street Lighting PFI	6.8	12.0	10.6	9.0	-1.6	32.7	32.7	0.0
Mancunian Way and Princess Parkway National Productivity Investment Fund (NPIF)	1.8	4.5	5.3	4.2	-1.1	8.8	8.8	0.0
Other Projects	7.6	16.1	18.4	14.4	-4.0	111.6	113.6	2.0
Total Highways	**38.2**	**56.3**	**62.5**	**57.8**	**-4.7**	**280.3**	**284.0**	**3.7**
	Reprofiling				**-7.1**			
	Cost Variations				**0.0**			
	Net over (under) spend				**2.4**			

<u>Activities</u>

7.4 The Manchester Salford Inner Relief Road (MSIRR) Regent Road scheme junctions A to D are now complete. The works are continuing on junctions E to F with completion expected by February 2020.

7.5 A contractor has been appointed for the Hyde Road Pinch Point widening scheme and pre-start meetings have begun. A planning application for the works was submitted in December, with works to commence at the end of January 2020.

7.6 The main highways work for the Mancunian Way and Princess Parkway National Productivity Investment Fund (NPIF) commenced in October 2019 and the project is on schedule to complete by June 2020.

7.7 The Great Ancoats Street Improvement Project main works contractor has now been appointed and work commenced in January. The advanced works required to enable the scheme were completed on time and to budget.

7.8 Lease negotiations with the NHS for land associated with the A6 Stockport Road scheme are now complete and the lease is due to be signed by March 2020.

<u>Variances – All Years</u>

7.9 There is an underspend of £0.5m on the Planned Highways Maintenance Programme following the final accounts of schemes completed in 2015/16 and 2016/17, which will be re-appropriated and utilised against future highways schemes.

7.10 An overspend of £2.2m has been reported against the Manchester/Salford Inner Relief Road project due to various factors, including compensation events submitted from the contractor, rectifying defective works from the original contractor, delays in the programme and adverse weather conditions. Due to the contract type, the Council is liable for additional costs incurred and therefore the project is under careful review.

7.11 As per the spend profile received from Stockport MBC for the Stockport SEMMMS A6 scheme, there is currently additional expected spend of £2.0m in 2019/20 and 2021/21 that will be covered by grant funding from the Department for Transport (DfT).

<u>Variances – In Year</u>

7.12 The main variances reported are:

Highways Maintenance Programme

- The Carriageway Resurfacing scheme continues to progress well, resulting in an acceleration to the programme of £0.6m in 2019/20.
- The Highways Corridor Development scheme was approved by Executive in December 2019. As per the forecast of expenditure, a total of £0.4m will be moved in to next financial year.
- Other in year variances to the Highways Maintenance Programme require total re-profiling in to future years of £0.1m.

Street Lighting PFI

- A programme to completion for the Street Lighting PFI scheme is currently being agreed with the contractor. It is likely this will not include as many units as the original plan as this factored in an increase in assets over the 3 year period which has not materialised. Until the effect of this can be quantified, a total of £1.6m will be moved in to next financial year.

NPIF

- Transport for Greater Manchester (TfGM) called for a review of the design for the Mancunian Way and Princess Parkway NPIF scheme, which has led to a revised schedule of works. As a result. the budget will be re-profiled by £1.1m in to next financial year. The scheme is still expected to complete on time.

Other Projects

- There is a requirement to move £1.7m budget into next financial year for the Schools Crossing scheme in relation to design issues at a number of junctions.
- The Cycle City Phase 2 scheme will be re-profiled by £0.8m into future years. This is due to a redesign that is required to some phases of the scheme following wider consultation with stakeholders.
- The Levenshulme Mini Holland scheme requires re-profiling of £0.5m into future years. This is as a result of the reprogramming of the pre development work as part of the overall Mayor's Cycling and Walking Challenge Funding.
- Other in year variances are as noted in paragraphs 7.9-7.11.

Risks

7.13 The Highways programme for 2019/20 contains a high number of large and strategically important projects for the highway network and the service is working to ensure that the works can be delivered to the timescales indicated. Works are assessed and scheduled based on potential impact to the network in an effort to minimise disruption to commuters wherever possible.

7.14 There are inherent risks around external factors, such as weather conditions, which can hinder the schedule of works. The availability of appropriately skilled resources has also been identified as a significant risk with recent and planned recruitment activity seeking to mitigate associated resourcing risks. Further to this, the volatility of the marketplace will require increased due diligence checks when appointing future contractors.

7.15 Extensive consultation with stakeholders is undertaken to ensure proper engagement and input in to the schemes being delivered, as well as to manage expectations within available budgets and realistic timescales. The intention is to minimise the risk of scope creep and raise awareness of the impact of schemes on journey times. Where need is identified, additional funding opportunities through partners are also routinely explored in order to increase project scope.

8 Neighbourhoods Programme

8.1 The Neighbourhoods programme is shown in the table below, and is split across three main themes, the details of which are provided separately below:

Neighbourhoods Capital Programme 2019/20 (December 19)

Neighbourhoods	Budget set in Feb 19 £m	Budget £m	Forecast £m	Variance £m	Spend to Date £m	Spend to Date as % of Forecast
Environment and Operations	7.4	7.6	2.6	-5.0	2.6	100.0%
Leisure	17.3	6.2	5.5	-0.7	2.3	41.8%
Libraries	0.9	0.7	0.5	-0.2	0.2	44.7%
Total Neighbourhoods	**25.6**	**14.5**	**8.6**	**-5.9**	**5.1**	**59.3%**
	Reprofiling			**-5.9**		
	Cost Variations			**0.0**		
	Net over (under) spend			**0.0**		

8.2 Within the 2018/19 Capital Programme Outturn report, the £13.0m budget for the Football Association (FA) Hubs project was re-profiled in to future years pending confirmation of grant funding. At Period 6, this was removed from the Capital Programme with an alternative scheme to be brought forward.

Environment and Operations Programme

8.3 The schemes within the Environment and Operations Programme are centred on improving the environment with the main focus on the control of waste disposal and promoting recycling.

8.4 The Environment and Operations programme is forecasting to spend £2.6m compared to a budget of £7.6m, a variance of £5.0m. Spend to date is £2.6m, or 100.0% of the current forecast. The programme is shown in the table below:

Environment and Operations	19/20 Spend to Date £m	19/20 Budget set in Feb 19 £m	19/20 Revised Budget £m	19/20 Outturn £m	19/20 Variance £m	All Years Budget £m	All Years Forecast £m	All Years Variance £m
Waste Reduction Measures	0.2	1.5	1.5	0.3	-1.2	4.7	4.7	0.0
Waste Contract	2.1	5.9	5.9	2.1	-3.8	11.5	11.5	0.0
Other Projects	0.3	0.0	0.3	0.3	0.0	0.3	0.3	0.0
Total Environment	**2.6**	**7.4**	**7.6**	**2.6**	**-5.0**	**16.5**	**16.5**	**0.0**
	Reprofiling				**-5.0**			
	Cost Variations				**0.0**			
	Net over (under) spend				**0.0**			

Activities

8.5 The Waste Contract scheme is a loan to Biffa for the purchase of vehicles for the Council within the waste and street cleansing contract. Biffa have purchased an additional five vehicles this financial year and further purchases including the potential for electric vehicles are now being considered for future years.

Variances – In Year

8.6 There is a requirement to move £1.2m in to 2020/21 for the Waste Reduction Measures project due to the first phase on Apartment blocks taking longer than originally anticipated. This is due to a number of factors including the logistics of resident communications, bin delivery to storage, site preparation and repairs and delivery to site.

8.7 The remaining £3.8m budget for the Waste Contract loan to Biffa will be moved in to next financial year, as it is not expected that any more vehicle purchases will be made before March 2020 and therefore no further loan advances are required. Further purchases including the potential for electric vehicles will be considered for next financial year.

Leisure Programme

8.8 The Leisure Programme provides leisure, sports and park facilities and services to communities across the City to promote health and wellbeing. The programme includes improvements to facilities which are used for events with the intention of also providing an economic benefit.

8.9 The Leisure programme is forecasting to spend £5.5m compared to a budget of £6.2m, a variance of £0.7m. Spend to date is £2.3m, or 41.8% of the current forecast. The programme is shown in the table below:

Leisure	19/20 Spend to Date £m	19/20 Budget set in Feb 19 £m	19/20 Revised Budget £m	19/20 Outturn £m	19/20 Variance £m	All Years Budget £m	All Years Forecast £m	All Years Variance £m
Parks Programme	0.9	2.8	1.6	1.5	-0.1	14.9	14.9	0.0
Indoor Leisure – Abraham Moss	1.0	1.7	2.0	1.4	-0.6	22.0	22.0	0.0
Other Projects	0.4	12.8	2.6	2.6	0.0	15.6	15.6	0.0
Total Leisure	**2.3**	**17.3**	**6.2**	**5.5**	**-0.7**	**52.5**	**52.5**	**0.0**
	Reprofiling				**-0.7**			
	Cost Variations				**0.0**			
	Net over (under) spend				**0.0**			

Activities

8.10 Colleagues within Leisure have developed a plan which sets out the investment priorities across the three strands of the £12.5m Parks

Development Plan. To date £0.6m has been approved by Strategic Capital Board against various smaller schemes, including the Heaton Park Bowls project where works have now completed on site.

8.11 RIBA Stage 4 designs are currently being concluded for the Abraham Moss Leisure Centre scheme. The contractor has sent out work packages based upon the Stage 4 design for pricing, in preparation for contract agreement for the main works at the end of February 2020. An update meeting was held with the school in December.

8.12 The Interactive Football Wall Project works completed on site in November 2019, with the wall now open for use and data being generated via the app. Similarly, works at MAC Booth Street car park have completed.

8.13 A contractor has been appointed for the Manchester Regional Arena – Outdoor athletics track replacement project and the design for the scheme has been approved. Construction is expected to commence in early February 2020 with completion due in May.

Variances - In Year

8.14 A number of commissioning activities for the Parks Development strategy will now take place in next financial year and so a total of £0.1m will be moved in to 2020/21.

8.15 There is a requirement to move £0.6m in to next financial year for the Abraham Moss Leisure Centre scheme, as completion of the pre-construction services agreement (PCSA) for the temporary works is now expected later than originally anticipated.

Libraries Programme

8.16 The library programme seeks to bring up to date accessible technology to communities, provide high quality exhibition areas attracting visitors and residents and create new community meeting spaces.

8.17 The Libraries programme is forecasting to spend £0.5m against a budget of £0.7m, a variance of £0.2m. Spend to date is £0.2m, or 44.7% of the current forecast. The programme is shown in the table below:

Libraries	19/20 Spend to Date £m	19/20 Budget set in Feb 19 £m	19/20 Budget £m	19/20 Outturn £m	19/20 Variance £m	All Years Budget £m	All Years Forecast £m	All Years Variance £m
Open Libraries	0.1	0.5	0.3	0.2	-0.1	0.5	0.5	0.0
Other Projects	0.1	0.4	0.4	0.3	-0.1	1.8	1.8	0.0
Total Libraries	**0.2**	**0.9**	**0.7**	**0.5**	**-0.2**	**2.3**	**2.3**	**0.0**
	Reprofiling				**-0.2**			
	Cost Variations				**0.0**			
	Net over (under) spend				**0.0**			

Activities

8.18 Fire safety works at Didsbury library have now been completed. A condition survey has been undertaken at Chorlton library to enable further works to be developed.

8.19 A scheme is being developed to refresh the Central Library in order to enable the library to continue to successfully deliver its services. The proposal will include a refresh of end of life PCs/Macs, performance space technology and other furniture. It is anticipated that work will begin in April 2020.

Variances - In Year

8.20 There is a requirement to move £0.1m budget into the next financial year for the open libraries project, specifically in relation to Blackley Avenue Library. Investigations are underway for installation of the system at the library and works are expected to complete in 2020/21.

8.21 The implementation phase for the GM Archives Web Portal will now begin next financial year, and so £0.1m budget has been re-profiled in to 2020/21.

Risks

8.22 External funding could provide a significant part of budgets to support parks improvements but is subject to lengthy negotiation and is not always successful. The risk profile has been updated to include the ability to secure match funding from external partners including Historic England and the Heritage Lottery Fund. This will be monitored by the programme board.

9 Growth and Development Programme

9.1 The Growth and Development programme is shown in the table below, and is split across four main themes, the details of which are provided separately below:

2019/20 Growth and Development Programme (December 19)

Growth and Development	Budget set in Feb 19 £m	Budget £m	Forecast £m	Variance £m	Spend to Date £m	Spend to Date as % of Forecast
Culture	55.3	34.6	30.1	-4.5	19.7	65.4%
Corporate Estates	34.8	25.6	18.2	-7.4	8.8	48.4%
Development	25.0	36.4	28.4	-8.0	13.4	47.2%
Other Growth and Development	12.0	20.0	12.7	-7.3	8.7	68.3%
Total Growth and Development	**127.1**	**116.5**	**89.3**	**-27.3**	**50.6**	**56.7%**
	Reprofiling			**-25.8**		
	Cost Variations			**0.0**		
	Net over (under) spend			**-1.5**		

Culture Programme

9.2 The Factory will act as a driver of the next stage of Manchester's and the North's regeneration – with clear cultural, economic, educational and social benefits for the city and the wider region. It will be a new type of venue – one that can commission, produce and present the widest range of opera, dance, theatre, visual arts and popular culture, with an emphasis on new cross-art form collaborations, for a much wider audience than any traditional venue.

9.3 Following notice to proceed (NTP) being received, the Factory budget has been updated, the latest being at Period 6, for the revised cash flow from the contractor in line with the latest construction programme and revised fees.

9.4 In 2019/20 the Culture programme is forecasting to spend £30.1m compared to a budget of £34.6m, a variance of £4.5m which will be re-profiled in to future years. Spend to date is £19.7m or 65.4% of the forecast. The programme is shown in the table below:

Culture Programme	19/20 Spend to Date £m	19/20 Budget set in Feb 19 £m	19/20 Revised Budget £m	19/20 Forecast £m	19/20 Variance £m	All Years Budget £m	All Years Forecast £m	All Years Variance £m
The Factory	19.7	55.3	34.6	30.1	-4.5	139.6	139.8	0.2
Total Cultural	**19.7**	**55.3**	**34.6**	**30.1**	**-4.5**	**139.6**	**139.8**	**0.2**
	Reprofiling				**-4.5**			
	Cost Variations				**0.0**			
	Net over (under) spend				**0.0**			

<u>Activities</u>

9.5 Good progress continues at the Factory site as steel works continue to be erected and other major milestones are reached such as the complex installation of the steel frame connecting the warehouse to the theatre. It is anticipated that the Factory will play a significant role in the Manchester International Festival in 2021.

9.6 Recent design and cost reviews have been completed in order to inform the letting of the next phase of work packages including for the facade. Like all projects in the programme the level of construction inflation in the market remains a risk.

9.7 All variations to the Arts Council England (ACE) funding agreement have now been agreed and a grant payment of £28.8m from ACE was released to the Council in January 2020. A further claim will be submitted in February 2020.

9.8 A public realm planning application is expected to be submitted in February 2020. Water Street has now been closed to traffic.

Variances - All Years

9.9 There is a total overspend of £0.2m which relates to an increase in professional and legal fees, and the requirement for a greater service connection to the site. This will be addressed in the next iteration of the cost plan.

Variances – In Year

9.10 There is a requirement to move £4.5m in to future years due to variances within various work packages. Of this, £2.6m relates to the MEP work package due to design and order placement taking longer than originally anticipated. Further to this, professional fees, client side costs and contingency spend have all been re-profiled in line with the current agreed programme.

Risks

9.11 The risk profile for the Factory focuses on ensuring the project is delivered within the agreed budget and timescales, with the delivery and installation of the steel required for the building construction, which is being managed on a section by section basis, forming the critical programme path. As noted earlier, the letting of the next phase of work packages is currently taking place and the inflation in the construction market remains a risk.

Corporate Estates Programme

9.12 The programme supports the provision of fit for purpose accommodation for corporate and community use and proactively maintaining and managing the corporate estate which includes reducing carbon emissions.

9.13 The main changes since the budget set in February 2019 and prior to the proposals highlighted in this report are as follows:

- Various schemes within the Asset Management Programme were re-profiled to future years following a rescheduling of works for some large scale projects including Heaton Park and Hall. The 2019/20 budget is now £10.4m.
- A review of the Hammerstone Road scheme began last financial year, to assess the potential impact of the HS2 project. As a result, the 2019/20 budget was re-profiled at Outturn and Quarter 2 from £7.1m to £1.1m.
- Upon receipt of the detailed investment grade proposals for the Carbon Reduction programme, the 2019/20 budget was revised to £6.0m at outturn.

9.14 The Corporate Estates programme is forecasting to spend £18.2m compared to a budget of £25.6m, a variance of £7.4m. Spend to date is

£8.8m, or 48.4% of the current forecast. The programme is shown in the table below:

Corporate Estates	19/20 Spend to Date £m	19/20 Budget set in Feb 19 £m	19/20 Revised Budget £m	19/20 Forecast £m	19/20 Variance £m	All Years Budget £m	All Years Forecast £m	All Years Variance £m
Asset Management Programme	5.6	11.8	10.4	9.3	-1.1	30.0	30.0	0.0
Hammerstone Road Depot	0.0	7.1	1.1	0.1	-1.0	15.0	20.5	5.5
Carbon Reduction Programme	0.0	8.5	6.0	0.7	-5.3	10.1	10.1	0.0
Estates Transformation	3.1	7.4	6.3	6.3	0.0	18.0	18.0	0.0
Other Projects	0.1	0.0	1.7	1.7	0.0	1.7	1.7	0.0
Total Corporate Estates	**8.8**	**34.8**	**25.6**	**18.2**	**-7.4**	**74.8**	**80.3**	**5.5**
	Reprofiling				**-7.4**			
	Cost Variations				**0.0**			
	Net over (under) spend				**0.0**			

<u>Activities</u>

9.15 Following a full review of the Hammerstone Road scheme, a full business case based on the RIBA stage 3 design has been submitted to Strategic Capital Board. More information can be found elsewhere on the agenda.

9.16 As part of the initial phase of the Carbon Reduction Programme, a pilot in the Town Hall Extension has tested the impact of reduced levels of lighting including the impact on staff and energy use. The Estates team are considering the results and then how to roll the scheme out. Additionally, a drone survey has been undertaken for the National Cycling Centre to assess the suitability of the roof for solar PV. Other council buildings are due to be assessed in the same way.

9.17 The next phase of the Estates Transformation activity will see Alexandra House and the nearby underground car park being fully refurbished. Work began on site in September 2019 and the building and car park are scheduled to reopen in December 2020.

<u>Variances - All Years</u>

9.18 There is an increase in overall project costs of £5.5m on the Hammerstone Road Project, as the scope of the project has now widened due to identified opportunities to rationalise the estate. This has resulted in some additional costs, as further facilities have now been designed in to the scheme such as the re-location of the Winter Maintenance Depot and facilities, additional office accommodation for the Pest Control and Arbour teams and additional storage for Elections. A request to increase the budget can be found elsewhere on the agenda.

Variances – In Year

9.19 There is a requirement to re-profile a total of £1.1m in to next financial year for the Asset Management Programme (AMP). Of this £0.4m relates to the additional budget reallocated back to AMP from the Ross Place scheme as the approved budget was not required in full. Other slippage relates to a pause in the design fees for the velodrome project whilst a methodology for accessing the high level gantry is agreed, and a combination of other minor projects not advancing to the design stage as planned.

9.20 Following the review of the Hammerstone Road project, a full business case for the scheme was submitted to the Strategic Capital Board with total revised costs of £20.5m. The updated profiling of spend requires £1.0m to be moved in to 2020/21.

9.21 Due to contracts for the Carbon Reduction Programme being issued later than originally anticipated, the schedule of works has been revised and a total of £5.3m will be re-profiled in to next financial year. The first contract was completed and signed in January 2020, with the rest scheduled for February and March.

Risks

9.22 There is a carefully planned rolling programme of activity to assess and address end of life replacements through the Asset Management Programme with close collaboration with Capital Programmes colleagues to ensure momentum is maintained. This may lead to a change in priorities during the year.

9.23 The Carbon Reduction programme is retrofitting efficiency measures to existing buildings of varying ages and conditions meaning there is a possibility that unknown items such as sub-standard electrical infrastructure or asbestos could be uncovered. To mitigate this, the programme has allowed for a 15% works contingency. A detailed building by building risk log will be maintained and managed throughout the delivery phase with key risks being escalated to the Carbon Reduction Programme Board, reporting into the Estates Board.

9.24 Ability to secure resources and suppliers in a buoyant market is a risk to the Estates Transformation Programme. It is being mitigated through early and ongoing planning to inform pipeline decision making about resource availability and allocation.

Development Programme

9.25 The Development Programme seeks to provide sustainable growth and transformation of the City, not only to support internal growth but also to retain international competitiveness by promoting opportunities to develop the City's fabric, infrastructure, business and skills base and connecting local communities to employment opportunities.

9.26 The main changes since the budget set in February 2019 and prior to those noted in this report are as follows:

- The £3.9m set aside for the acquisition of land for the joint venture within the Northern Gateway scheme, was re-profiled in to 2019/10 whilst discussions were ongoing.
- Due to the Medieval Quarter Public Realm project being postponed to allow for the Arena Memorial works to be incorporated into the wider scheme, £1.4m budget was moved in to 2020/21.
- Due to a shift in grant drawdown timings, City Labs 2 and Digital Business Incubators saw re-profiling of £4.0m collectively in to this financial year.

9.27 The Development programme is forecasting to spend £28.4m compared to a budget of £36.4m, a variance of £8.0m. Spend to date is £13.4m, or 47.2% of the current forecast. The programme is shown in the table below:

Development	19/20 Spend to Date £m	19/20 Budget set in Feb 19 £m	19/20 Revised Budget £m	19/20 Forecast £m	19/20 Variance £m	All Years Budget £m	All Years Forecast £m	All Years Variance £m
Digital Asset Board (MCDA)	2.8	1.2	5.2	3.7	-1.5	27.1	27.1	0.0
Strategic Acquisitions Board	5.6	4.3	5.9	5.9	0.0	24.8	24.8	0.0
Northern Gateway	0.0	2.3	6.2	6.2	0.0	25.0	25.0	0.0
Eastern Gateway	2.5	5.3	3.9	2.9	-1.0	68.8	67.7	-1.1
City Centre	2.5	11.9	15.2	9.7	-5.5	62.6	62.2	-0.4
Enterprise Zone	0.0	0.0	0.0	0.0	0.0	5.9	5.9	0.0
Total Development	**13.4**	**25.0**	**36.4**	**28.4**	**-8.0**	**214.2**	**212.7**	**-1.5**

Reprofiling	**-6.5**
Cost Variations	**0.0**
Net over (under) spend	**-1.5**

Activities

9.28 A designer has been appointed to create the Glade of Light memorial to commemorate the victims of the Manchester Arena attack. The final design is now being developed with families continuing to be engaged as it takes further shape. Once approved, this will enable the Medieval Quarter, postponed to enable the incorporation of the Arena Memorial into the wider works, to commence on site in May 2020.

9.29 The Peterloo memorial budget has been revised to £1.0m after securing a grant of £0.2m from the Arts Fund. The grant was secured on behalf of the

City Council by the appointed artist who must be satisfied with any proposed modifications to the memorial before the grant can be paid. Options will then be presented in a public meeting and through a public consultation exercise.

9.30 The masterplan for the Eastern Gateway including future use of the Central Retail Park site was presented to the Executive in January. This will enable consultant appointments, work package establishment, funding stream identification, carbon targets and other key activities needed for the development of the area to be established.

Variances – All Years

9.31 There is an anticipated underspend of £1.1m on the Eastern Gateway – New Islington Marina project as funding originally identified for electrical remedial works will now be completed under the original contract and is therefore not required.

9.32 There is a total underspend of £0.4m on the City Labs 2.0 scheme, as the Growth Manager’s post is now to be funded through revenue from business rates receipts over a period of 5 years.

Variances – In Year

9.33 For the Space and Sharp Projects within the Digital Assets Board portfolio, a total of £1.5m has been moved in to next financial year whilst a strategic review is undertaken and it is determined how the budgets will be utilised.

9.34 There is a requirement to accelerate £0.1m in to 2019/20 for the Eastern Gateway – Central Retail Park Scheme due to professional fees, security and utility costs being incurred earlier than expected.

9.35 Due to a change in timing of the drawdown for the Manchester College loan, a total of £5.0m will be moved in to 2020/21.

9.36 As noted in paragraph 9.28, the Medieval Quarter Public Realm project is currently postponed until the Arena Memorial works are incorporated into the wider scheme. As a result £0.1m of the budget has been moved in to 2020/21 when it is expected that the scheme will commence.

9.37 Other in year variances are noted in paragraphs 9.31 - 9.32.

Risks

9.38 It should be noted that there are a number of significant elements of the Growth and Development programme, such as the Strategic Acquisitions programme, which are dependent on negotiations with third parties in order to achieve a successful outcome e.g. for land acquisitions. As a result the budget profile is a best estimate and is likely to change. The programme is continually subject to a detailed review and prioritisation exercise.

Other Growth and Development Programme

9.39 Prior to the changes highlighted in this report, it was reported at outturn that the Heron House and Registrars work had completed in 2018/19, however the fit out of floors 4 and 5 was reprofiled into 2019/20 as a consequence of various contract negotiations. As a result the remaining £4.5m budget was moved into this financial year.

9.40 In line with the position reported to Executive, the legal agreements for the Civic Quarter Heat Network were signed and the programme of work updated meaning the budget was adjusted accordingly at outturn with the need to re-profile £3.6m in to 2019/20.

9.41 The Other Growth and Development Programme is forecasting to spend £12.7 compared to a budget of £20.0m, a variance of £7.3m. Spend to date is £8.7m, or 68.3% of the forecast. The programme is shown in the table below:

Other Growth and Development	19/20 Spend to Date £m	19/20 Budget set in Feb 19 £m	19/20 Revised Budget £m	19/20 Forecast £m	19/20 Variance £m	All Years Budget £m	All Years Forecast £m	All Years Variance £m
Heron House and Registrars	2.4	0.0	4.5	3.1	-1.4	20.6	20.6	0.0
Civic Quarter Heat Network	6.3	11.5	15.1	9.6	-5.5	26.0	26.0	0.0
Other Projects	0.0	0.5	0.5	0.0	-0.5	6.0	6.0	0.0
Total Other Growth and Development	**8.7**	**12.0**	**20.0**	**12.7**	**-7.3**	**52.6**	**52.6**	**0.0**
	Reprofiling				**-7.3**			
	Cost Variations				**0.0**			
	Net over (under) spend				**0.0**			

Activities

9.42 Concrete has been poured for the base of the Energy Centre and Thermal Store as part of the Civic Quarter Heat Network programme of works. With the majority of the works complete on the western leg of the district heat network, the eastern leg will commence installation in mid-January in line with the overall programme. A meeting was held with the Corporate Landlord and users of the network in December, where entry points and a schedule of works for each building were agreed. Works are reported as on programme with buildings scheduled to start using the gas and electricity from the network from winter 2020 once they have been connected.

Variances – In Year

9.43 There is a requirement to move a total of £1.4m in to next financial year for the Heron House project, due to significant variation requests from the organisation renting the space, resulting in a change to the schedule of works. Contingency budgets have also not been fully expended to date and so will be moved in to next financial year until it can be determined whether they will be utilised in full.

9.44 The Civic Quarter Heat Network budget has been re-profiled in line with the latest milestone schedule and expected payment dates. As a result, a total of £5.5m has been moved in to next financial year.

9.45 A total of £0.5m budget for the New Smithfield market scheme will be moved in to 2020/21 whilst proposals for site redevelopment are worked through. There are currently no plans for expenditure in 2019/20.

Risks

9.46 The Civic Quarter Heat Network project will need to ensure a return on investment to repay costs over the contract term. The scheme will need to offer competitive commercial terms to users to ensure it appears attractive. A continual review of project costs will be undertaken as well as value engineering exercises across the entire scope and project cost.

10 Our Town Hall Refurbishment

10.1 The Our Town Hall programme is a major scheme to update the architectural masterpiece that is the Manchester City Centre Town Hall, to protect and improve it for both Manchester and the nation, restoring and re-opening in 2024.

10.2 Since the budget set in February 2019, the Our Town Hall budget has been re-profiled to reflect the re-phasing of early works and the drawdown profile being updated following the finalisation of the Management Contractor terms. Following the appointment of the MEP stage 1 contractor, a fee was agreed and contingency budgets were re-phased. The construction forecast is now based on the revised programme and work packages have been re-profiled to reflect this. The 2019/20 budget is now £21.9m.

10.3 The Our Town Hall Refurbishment programme is forecasting to spend £17.1m compared to a budget of £21.9m, a variance of £4.8m. Spend to date is £7.6m, or 44.4% of the current forecast. The programme is shown in the table below:

Our Town Hall	19/20 Spend to Date £m	19/20 Budget set in Feb 19 £m	19/20 Revised Budget £m	19/20 Forecast £m	19/20 Variance £m	All Years Budget £m	All Years Forecast £m	All Years Variance £m
Our Town Hall	7.6	24.4	21.9	17.1	-4.8	305.2	305.2	0.0
	Reprofiling				**-4.8**			
	Cost Variations				**0.0**			
	Net over (under) spend				**0.0**			

Activities

10.4 The Town Hall project team continue to prepare for Notice to Proceed (NtP). As part of these preparation works, there are ongoing discussions with Planning and an application to the Local Planning Authority was submitted in January 2020.

10.5 There are currently c£76.0m worth of tenders under review with a further £5.0m of work packages out to tender, which is in line with the procurement strategy and programme for the project. It is anticipated that c£104.0m worth of packages will have been procured by notice to proceed (NtP) which will equate to around 60% of the overall project.

10.6 The temporary site accommodation arrived in October which required the Christmas Market's configuration to be altered from previous years.

10.7 Scaffolding around the building is being erected, and the fit out of mock up rooms is currently being procured to test the design and ensure quality control management.

Variances – In Year

10.8 The Our Town Hall budget has been re-profiled based on the current programme of works for a number of work packages. Additionally, the organ removal which was due to take place this financial year has now been put back 25 months in the current programme. As a result, a total of £4.8m will be moved in to 2020/21.

Risks

10.9 Due to the size, duration and nature of the programme, risk will be carefully managed through and across the various work packages. Site investigations and early works are vital to inform the design and cost aspects.

10.10 At this early stage of the project the spend profile remains uncertain. Once the project receives Notice to Proceed (NTP) a more detailed timeline of work will be agreed. It is likely that the budget profile will change.

10.11 In addition, external factors such as supply chain uncertainty and the availability or otherwise of sufficient and appropriate specialists to ensure the quality of the finished work, will require careful monitoring to ensure early action can be taken to reduce any negative impact on cost and programme.

11 Housing - General Fund

11.1 The Private Sector Housing programme focuses on providing affordable housing including the facilities, adaptations and community focus required.

11.2 As reported at outturn, £4.7m budget for the Marginal Viability Fund New Victoria scheme was accelerated in to this financial year to reflect the expected receipt of grant income in 2019/20. Subsequently, this has proved not possible and the project has been re-profiled accordingly.

11.3 At Quarter 2, the £2.4m Extra Care budget was moved in to 2020/21, whilst the Council continues to review schemes to find the optimum balance between those led internally and those by Registered Providers. The £2.2m budget for the Armitage Nursery and Community Facility was removed from the capital budget as there were no further plans for expenditure, and the £6.9m Ben Street Regeneration budget was removed as no additional funding was required in the delivery of the scheme by One Manchester.

11.4 The Private Sector Housing programme is forecasting to spend £10.3m compared to a budget of £17.5m, variance of £7.2m. Spend to date is £7.1m, or 68.3% of the current forecast. The programme is shown in the table below:

Private Sector Housing (General Fund)	19/20 Spend to Date £m	19/20 Budget set in Feb 19 £m	19/20 Revised Budget £m	19/20 Forecast £m	19/20 Variance £m	All Years Budget £m	All Years Forecast £m	All Years Variance £m
Brunswick PFI Land Assembly	1.1	1.7	1.7	1.2	-0.5	9.5	9.5	0.0
Disabled Facilities Grant	4.9	7.9	7.8	6.5	-1.3	53.9	53.9	0.0
Extra Care	0.0	2.4	0.0	0.0	0.0	6.0	6.0	0.0
Ben St Regeneration	0.2	0.6	1.3	0.4	-0.9	8.7	8.7	0.0
Marginal Viability Fund – New Victoria	0.0	1.8	0.5	0.5	0.0	10.5	10.5	0.0
Other Projects	0.9	10.3	6.2	1.7	-4.5	86.4	86.4	0.0
Total Private Sector Housing (General Fund)	**7.1**	**24.7**	**17.5**	**10.3**	**-7.2**	**175.0**	**175.0**	**0.0**

Reprofiling	**-7.3**
Cost Variations	**0.0**
Net over (under) spend	**0.1**

<u>Activities</u>

11.5 Works continue to progress for the Homelessness scheme, in which the Council jointly funded, with RPs, the acquisition of 22 large homes to rehouse homeless families out of temporary accommodation.

11.6 The scheme to deliver 70 new affordable housing apartments across 4 schemes for people with a Learning Disability is now complete. Two schemes have re-provided existing in house shared accommodation, whilst two others have provided additional capacity for young people leaving residential care; new residents previously unknown to the Council and also enabling those placed outside of the borough to return.

11.7 The Empty Homes project is a single payment as a Section 22 grant to a registered provider (RP). The RP has now been selected and the payment expected to be made in 2020/21.

11.8 Works commenced in September 2019 for the West Gorton Park and Community spaces project, with expected completion in April 2020.

11.9 A quarterly review of the Disabled Facilities Grant (DFG) spend and commitments was held with RPs in December 2019. There has been a lack of resources at the RPs which has affected their ability to assess and install aids and adaptations. The RPs have now appointed 3 additional technical staff in response to this issue.

<u>Variances – In Year</u>

11.10 Completion of a number of commitments and compensation payments for the Brunswick PFI Land Assembly scheme is now expected next financial year, and so a total of £0.5m has been moved in to 2020/21.

11.11 With the introduction of the Liquid Logic System, all cases for adaptations funded through the Disabled Facilities Grant were transferred over to the new system. Due to this taking longer than originally anticipated, a total of £1.3m will be moved in to next financial year.

11.12 Works on the Ben Street project are in the main complete, however a total of £0.9m will be moved in to next financial year for any outstanding direct orders, utility costs, retentions or additional works. A final account will be submitted in 2020/21.

11.13 Payment to the Registered Provider for the Empty Homes project is now expected in 2020/21 and so the total £2.0m budget has been moved in to next financial year.

11.14 The West Gorton Community Park scheme is nearing completion with the final account for the construction contract expected early in the next financial year. An element of the contingency budget has not yet been spent and so a total of £0.8m will be moved in to 2020/21 until it is determined whether it will be utilised.

11.15 Compensation payments related to the Miles Platting project are now expected to complete in 2020/21, and so a total of £0.6m will be reprofiled to next financial year.

11.16 It is unlikely that any further claims will be settled this financial year for the West Gorton Demolition and Acquisition scheme, and so a total of £0.4m has been moved in to 2020/21.

11.17 There are various other projects within the Private Sector Housing portfolio that collectively require budget re-profiling in to future years of £0.7m.

Risks

11.18 Delays with acquisitions, refurbishment works or sales could potentially result in the Empty Homes Programme being delayed with action needed to minimise the amount of time the Council is responsible for the properties. Similarly, delays to Extra Care schemes could impact on savings projected by Adult Services and the availability of funding from third parties. Given the early stage of this project this risk is not quantifiable but will be closely monitored.

12 Housing Revenue Account (HRA)

12.1 The Public Sector Housing programme seeks to bring the estate up to and maintain the Decent Homes standard including statutory health and safety regulations and the reduction of CO2 emissions.

12.2 As noted in the Outturn and Period 6 reports, the Northwards programme has been re-profiled by £2.7m due to potential savings identified and changes in the schedule of works across some minor schemes. A capital budget increase was requested in March for North Manchester New Builds 3, with work expected to begin in 2019/20, and so £0.9m was moved in to this financial year.

12.3 The Public Sector Housing (HRA) programme is forecasting to spend £19.7m compared to a budget of £26.8m, a variance of £7.1m. Spend to date is £8.5m or 43.1% of the current forecast. The programme is shown in the table below:

Public Sector Housing (HRA)	19/20 Spend to Date £m	19/20 Budget set in Feb 19 £m	19/20 Revised Budget £m	19/20 Forecast £m	19/20 Variance £m	All Years Budget £m	All Years Forecast £m	All Years Variance £m
Northwards	7.9	27.3	24.6	18.3	-6.3	120.7	120.7	0.0
North Manchester New Builds (NMNB)	0.4	0.7	1.6	1.0	-0.6	21.4	13.5	-7.9
Other Projects	0.2	2.0	0.6	0.4	-0.2	48.3	45.9	-2.4
Total Public Sector Housing (HRA)	**8.5**	**30.0**	**26.8**	**19.7**	**-7.1**	**190.4**	**180.1**	**-10.3**

Reprofiling	**-7.1**
Cost Variations	**0.0**
Net over (under) spend	**0.0**

Activities

12.4 Northwards have developed a five year plan which proposes a c£30.0m a year programme of works including their zero carbon strategy. The five year plan is to be presented to officers of the City Council once fully developed.

12.5 The North Manchester New Build 1 scheme is now complete with the final accounts to be confirmed.

Variances – All Years

12.6 The Government have now confirmed that the Council's bid for £10.3m grant funding for Collyhurst Estate Regeneration projects will not proceed. As a result, this has been removed from the capital programme.

12.7 In spite of the above, Housing Board have established that Collyhurst is the main priority for new build HRA investment, and it has been agreed that the HRA budget allocation of £7.9m for the North Manchester New Build (NMNB2) scheme be made available for new Council homes in Collyhurst. As a result, Council are requested to approve the virement from NMNB2 to a newly established Collyhurst budget.

Variances – In Year

12.8 Across the whole of the Northwards programme of works, there is a requirement to move £6.3m budget into next financial year, including £1.8m for the Charlestown – Victoria Avenue multi-storey window replacement scheme due to technical issues around fire stopping and transom heights.

12.9 A total of £0.6m has been moved in to next financial year for the North Manchester New Build (NMNB) schemes. Of this £0.3m relates to NMNB1 as a small amount will be held back for defects following the completion of the project. The remaining £0.3m relates to NMNB3 as no further spend is expected this financial year whilst the scheme is under review and the scope of the project is determined.

12.10 Further to the virement noted in paragraph 12.7, the remaining £0.2m budget for the Collyhurst Estate Regeneration scheme will be moved in to future years for later phases of the works. The phase 1 budget will be newly established and profiled accordingly.

Risks

12.11 The Northwards programme relies on the performance of a number of contractors to deliver projects which creates a risk of delays. Ongoing monitoring of performance and regular communication with partners are used to manage risks in these areas.

12.12 There are risks around obtaining listed building consent and planning approvals required for some of the projects, to be managed through timely collaboration with colleagues in Planning and design teams.

12.13 Northwards have updated their risk profile to include an expected increase in fire risk assessment costs on the high rise blocks due to an increase in the scope of work following detailed surveys, an increase in contractor costs due to demands on capacity and an increase in insurance costs in relation to accountability and risk.

13 Children's Services

13.1 The main focus of the children's services programme is to provide additional school places for children across the City and maintain the school buildings, ensuring that there is investment in modern, energy efficient and high quality education infrastructure which drives reductions in carbon across the estate of schools, 85% of materials are locally sourced and contractors recycle more than 75% of waste products.

13.2 The main changes to the budget set in February 2019 and prior to those noted in this report include:

- An additional £1.2m Special Educational Needs grant was awarded from the Department for Education (DfE) which was added to the budget in March 2019 and moved in to 2019/20.
- A total of £20.2m unallocated Basic Need funding was moved in to future years whilst a review is undertaken of the number of school places required across the City in the context of both the Council's Basic Need Programme and the Government's Free School Programme.
- Due to changes in design, a revised programme for the Northridge SEN scheme required movement of £2.6m budget in to next financial year.
- At January Executive, the acquisition of land at Hyde Road was approved, and a total of £13.2m was added to the Capital Programme.

13.3 The Children's Services programme is forecasting to spend £25.2m compared to a budget of £27.7m, a variance of £2.5m. Spend to date is £5.1m, or 20.2% of the current forecast. The programme is shown in the table below:

Children's Services	19/20 Spend to Date £m	19/20 Budget set in Feb 19 £m	19/20 Revised Budget £m	19/20 Forecast £m	19/20 Variance £m	All Years Budget £m	All Years Forecast £m	All Years Variance £m
Basic Need and SEND	0.8	29.6	4.5	3.9	-0.6	205.7	208.6	2.9
School Maintenance	2.5	5.3	5.2	4.5	-0.7	16.4	16.4	0.0
Other Projects	1.7	4.1	18.0	16.8	-1.2	23.0	23.3	0.3
Total Children's Services	**5.1**	**39.0**	**27.7**	**25.2**	**-2.5**	**245.1**	**248.3**	**3.2**

Reprofiling	**-2.5**
Cost Variations	**0.0**
Net over (under) spend	**0.0**

Activities

13.4 A proposal to purchase units at Ashgate Special School to create permanent capacity for 16 additional students has been agreed. Works to create a further 16 places at Melland special school are now also complete.

13.5 The Schools Maintenance Programme for 2019/20 is nearing completion and a programme of work for 2020/21 is now being drawn up. This will include the proposal of enabling works in schools using the Easter holidays and summer half term to ensure no disruptions are experienced.

13.6 Planning permission for the North Ridge High School expansion has now been submitted. Completion date is expected for September 2020. The onsite shop to be run by students is now complete.

Variances - All Years

13.7 The stage 2 review with the contractor for the Special Educational Needs Programme is now complete and a total cost pressure of £2.9m has been identified due to poor ground conditions at a number of the sites. The programme is being reviewed in detail in order to assess options to bring the scheme back within the £23.5m budget. Should this not be possible, the additional spend will be funded from the Unallocated Basic Need budget.

13.8 There is a total forecast overspend against the North Ridge High School expansion of £0.3m, due to the high specification of a number of elements within the build. Capital Programmes are currently reviewing value engineering options to bring the scheme back within budget. An update will be provided as the scheme progresses.

Variances – In Year

Basic Need Programme

13.9 As noted in paragraph 13.7, the SEN Expansion programme at four sites in the City is currently being reviewed due to cost pressures. As a result, a total of £0.5m will be moved in to next financial year.

13.10 Elsewhere within the Education Basic Need Programme, other schemes have a total underspend of £0.1m. This will be vired back into the unallocated Basic Need budget and utilised in future years.

Schools Maintenance Programme

13.11 A total of £0.6m for the Broad Oak Kitchen refurbishment will be moved in to 2020/21 due to delays with planning approvals. The scheme is currently at the design stage and complete tender costs have not yet been received.

13.12 Other in year variances to the Schools Maintenance Programme total £0.1m.

Other Projects

13.13 The £1.2m unallocated Special Provision capital fund budget will be moved in to next financial year whilst a consultation is held with special schools on its proposed use. Once a scheme is developed, a business case will be presented to the Strategic Capital Board.

<u>Risks</u>

13.14 As the DfE have confirmed that Manchester will receive no Education Basic Need funding in 2020/21 due to significant investment planned in free schools, the forward plan for the Education Programme will be dependent on the decision on the next wave of free schools. The statutory duty to provide places belongs to the City Council and the relationship with the DfE is key in ensuring that the free school places are delivered on time in order that the duty can be met.

13.15 There is a further risk around the Council's ability to meet the continued growth of pupil numbers – particularly in-year school admissions which is more difficult to accurately project and manage. There is also a risk around the pace of residential development and the demand for school places outweighing the available supply in particular areas of the City. To offset these risks, the Director of Education is currently developing a School Places plan for 2020 to 2025 using forecasted demand to ensure that there is sufficient high quality school places available in the right areas across the City although this is dependent on identifying appropriate sites in the right areas.

14 ICT Capital Programme

14.1 The aim of the ICT programme is to reduce key risks, decommission legacy platforms and to create a simpler, more robust, resilient and easier to support environment. The programme will move towards a modern infrastructure whilst adding business value.

14.2 The main variances from the original budget set in February 2019 and before those outlined in this report are as follows:

- A review of the ICT Capital Plan resulted in the £8.8m ICT Investment Plan unallocated budget being moved in to future years.
- Kit for the Data Centre Network Design and Implementation project that was scheduled to arrive at the end of March arrived in early 2019/20, and hence £1.4m was re-profiled in to this financial year at outturn.
- At Quarter 2, a decision was taken to utilise the End User budget for the Collaboration platform due to the interdependencies between the two projects, leading to re-profiling of £1.7m in to next financial year.

14.3 The ICT programme is forecasting to spend £5.7m against a budget of £6.1m, a variance of £0.4m. Spend to date is £4.0m, or 70.2% of the current forecast. The programme is shown in the table below:

ICT	19/20 Spend to Date £m	19/20 Budget set in Feb 19 £m	19/20 Revised Budget £m	19/20 Forecast £m	19/20 Variance £m	All Years Budget £m	All Years Forecast £m	All Years Variance £m
New Social Care System	1.5	0.5	1.7	1.7	0.0	3.7	3.7	0.0
ICT Investment Plan unallocated	0.0	8.8	0.0	0.0	0.0	23.2	23.2	0.0
Other Projects	2.6	2.0	4.4	4.0	-0.4	24.0	24.0	0.0
Total ICT	**4.0**	**11.3**	**6.1**	**5.7**	**-0.4**	**50.9**	**50.9**	**0.0**
	Reprofiling				**-0.4**			
	Cost Variations				**0.0**			
	Net over (under) spend				**0.0**			

Activities

14.4 A high-level resource plan is being developed for each directorate to allow the ICT board to prioritise the delivery of the projects that are currently in the pipeline for 2020/21. This will be presented to the ICT Board and to Senior Management Teams for a decision to be taken.

14.5 The contract with Microsoft for the implementation of Office 365 has now been signed and work is expected to commence in February 2020. Technological capabilities within the new software has led to changes in the upcoming telephony project and hence a delay in awarding the contract. Contract award is now expected in Spring 2020 with implementation to follow. The existing maintenance agreement with BT has been extended to March 2021 to allow time for migration and delivery of the new service.

14.6 The Data Centre Migration project is now underway, with completion expected in March 2020. The migration will provide a new server and storage solution for the council's data and systems, improved bandwidth for internet connectivity as well as reduced costs and improved resilience.

14.7 The Replacement Coroners System project is now complete and a final account is awaited from the supplier.

Variances - In Year

14.8 A total underspend of £0.1m is expected against the Replacement Coroners system. This will be confirmed upon receipt of the final account.

14.9 Following delays to procurement due to other key priorities, a total of £0.1m will be re-profiled in to 2020/21 for the Communications Room Hardware placement project.

14.10 Other re-profiling within the ICT portfolio totals £0.2m.

Risks

14.11 ICT projects are often interdependent which can lead to adjustments to the schedule of activity should changes occur in a particular project. Some projects may need external support and advice to be delivered and this may create delays as such work is completed.

14.12 ICT projects are subject to external factors such as cyber security risks as an incident could result in data unavailability or loss, impacting the Council's critical applications and services. The Council has Public Services Network (PSN) compliant infrastructure and up to date anti-virus software to mitigate this. The use of end of life software and hardware form part of the ICT risk profile to ensure ongoing operation of systems and hardware.

14.13 Ongoing risks around expiration of licenses and support contracts are managed through monitoring and review at operational and strategic level, taking into account costs associated with maintaining or changing existing arrangements into future years.

15 Corporate Services Programme

15.1 Included in the Corporate Services programme is Gorton Health Hub which will bring together key organisations responsible for tackling worklessness and low skills. This will have a positive impact providing new opportunities for local residents and will contribute to sustainable economic growth by replacing a number of old, poorly maintained and high carbon producing buildings into a more modern, energy efficient purpose built building.

15.2 The main variances from the budget set in February 2019 and reported at outturn include:

- Discoveries in the ground at the Integrated Working - Gorton Health Hub site led to a project review and £0.4m being re-profiled in to this financial year.
- Due to the company being ahead of progress as set out in the business plan, a variation in the BioMedical Investment work programme led to a pe-phasing in timing of the loan drawdown, meaning £2.5m was moved in to 2019/20.

15.3 The Corporate Services programme is forecasting to spend £15.3m compared to a budget of £17.3m, a variance of £2.0m. Spend to date is £4.0m, or 26.1% of the current forecast. The programme is shown in the table below:

Corporate Services	19/20 Spend to Date £m	19/20 Budget set in Feb 19 £m	19/20 Revised Budget £m	19/20 Forecast £m	19/20 Variance £m	All Years Budget £m	All Years Forecast £m	All Years Variance £m
Integrated Working – Gorton Health Hub	1.2	10.2	3.5	2.0	-1.6	22.8	22.8	0.0
BioMedical Investment	2.0	5.5	8.0	8.0	0.0	21.3	21.3	0.0
Other Projects	0.8	5.0	5.8	5.6	-0.4	133.7	133.7	0.0
Total Corporate Services	**4.0**	**20.7**	**17.3**	**15.3**	**-2.0**	**177.8**	**177.8**	**0.0**

Reprofiling	**-2.0**
Cost Variations	**0.0**
Net over (under) spend	**0.0**

Activities

15.4 Lease agreements for the Gorton Health hub project are awaiting signature from all relevant parties before works can commence. All construction contract associated discussions have concluded and approval from the Client and the Council is awaited in order to arrange for the contract to be executed. Following on from the completion of the demolition works, construction activities have been minimal, excavation works to determine the exact position of existing services.

15.5 The Alcohol Treatment for Fibroscan Machine project is complete, with all grant funding passported to Change Grow Live (CGL) for the purchase of the machine.

Variances – In Year

15.6 The Integrated Working – Gorton Health Hub project requires re-profiling of £1.6m in to next financial year, due to the timing of signing the complex multi party agreements delaying the approval process.

15.7 The Manchester Jewish Museum Loan is now not required until later in the schedule of works for the scheme. As this is likely to be next financial year, the £0.3m budget has been moved in to 2020/21.

15.8 There is a requirement to move £0.1m budget for the Locality Plan Programme Office in to 2020/21 due to delays in getting property agreements in place which has an impact on the relocation of staff and fit out of the buildings. It is anticipated that lease agreements will progress soon.

Risks

15.9 The nature and scope of the schemes within the Corporate Programme mean that the Council is highly reliant on third parties in determining the likely profile of spend and there is therefore a risk of external factors causing delays.

16 Capital Programme Re-phasing and Variations 2019/20 to 2024/25

16.1 Based on the monitoring information above, it is proposed that the capital programme budget is re-phased to reflect the planned delivery of projects in 2019/20 to 2024/25. The cumulative impact of these adjustments are shown in the table below.

Proposed Capital Programme variations 2019/20 to 2024/25

	2019/20 £m	**2020/21 £m**	**2021/22 £m**	**2022/23 £m**	**2023/24 £m**	**Total Programme £m**
Capital Budget (November 2019)	462.0	420.3	280.7	121.9	51.2	1,336.1
Forecast Re-profile	-62.5	-6.9	-11.8	79.1	2.1	0.0
Cost Variations	-81.5	-49.8	0.0	0.0	0.0	-131.3
Proposed Capital Budget	**318.0**	**363.6**	**268.9**	**201.0**	**53.3**	**1,204.8**
Of which:						
Manchester City Council Programme	**248.0**	**363.6**	**268.9**	**201.0**	**53.3**	**1,134.8**
Programme on behalf of Greater Manchester	70.0	0.0	0.0	0.0	0.0	70.0

16.2 To note, within the cost variations a reduction of £81.2m in 2019/20 and £37.9m in 2020/21 relate to the underspend in the programme on behalf of Greater Manchester as highlighted in paragraph 4.1. The remaining cost variations relate to the City Council's programme as explained in the relevant sections above.

16.3 Further details regarding the proposed adjustments to the programme are given below.

Budget re-profiling:

16.4 As highlighted in the narrative of this report, various schemes throughout the capital programme are now forecast to be accelerated into 2019/20, or have been moved to 2020/21 or future years. The budgets for these projects will be reprofiled to reflect the changes, and the revised budget profiles are shown at Appendix B.

Virements

16.5 Various schemes across the programme require virements in 2019/20 - 2021/22, as shown in Appendix A.

16.6 The Council is recommended to approve virements of £0.5m and above within the capital programme as outlined in Appendix A.

16.7 The Executive is recommended to approve virements under £0.5m within the capital programme as outlined in Appendix A.

17 Social Value

17.1 All capital business cases are required to provide information on social value impact likely to be generated as part of the scheme. These include details of employment of local residents, training of local residents, improvements in key health outcomes, support of community cohesion, improvement in key education outcomes, help to other excluded groups and promoting environmental sustainability. These are considered as part of the scheme approval process via the Checkpoint system. Work is on-going as part of improving overall contract monitoring to review the monitoring of these activities.

18 Capital Resources

18.1 The capital programme is reviewed on an ongoing basis to confirm the capital resources required to finance capital spend are in place and the future years programme is fully funded. Work will continue to ensure that the resources required to finance the capital programme are secured and the level of prudential borrowing remains affordable.

18.2 The table below summarises the current funding assumptions for the full programme (City Council and GMCA). This will continue to be reviewed for the remainder of the financial year to ensure that the optimum value for money is being achieved through the programme.

Draft funding position for 2019/20 Capital Programme based on current forecast:

	Draft Funding £m
Grants	47.0
Contributions	26.8
Capital Receipts	88.7
Revenue Contributions to Capital	22.3
Capital Fund	3.6
Borrowing	130.5
Total	**318.9**

18.3 To note, the draft funding position above includes the financing of the £0.9m net overspends across the Capital Programme. As highlighted in the relevant sections of this report, every effort is being made by officers of the Council to address and reduce this overspend prior to the end of the financial year.

18.4 The Deputy Chief Executive and City Treasurer will continue to manage the financing of the programme to ensure the final capital funding arrangements secure the maximum financial benefit to the City Council.

18.5 The requirements of the capital programme over the next five years are significant and both spend and funding streams will require close monitoring, particularly with the level of uncertainty for future funding allocations.

19 Change in PWLB borrowing rates

19.1 On the 9th of October the Public Work Loans Board, an executive agency of the Treasury, increased the cost of borrowing available to the Council by 100 basis points. This means that the future cost of borrowing for the Council has increased, and has implications for local authority debt markets.

19.2 Further details on this change, and its implications, can be found in the report on capital financing which was discussed at Resources and Governance Scrutiny Committee on the 5th of November.

20 Contributing to the Our Manchester Strategy

(a) A thriving and sustainable city

20.1 The capital programme contributes to various areas of the economy, including investment in public and private sector housing, education and children's social care, transport infrastructure, major regeneration activities, environmental, cultural and leisure services.

(b) A highly skilled city

20.2 The capital programme includes substantial investment in education and also provides opportunities for the construction industry to bid for schemes that could provide employment opportunities at least for the duration of contracts.

(c) A progressive and equitable city

20.3 The capital programme includes investment in adult and children's social care, education, housing and the environment, cultural and leisure services, all of which contribute towards the strategy.

(d) A liveable and low carbon city

20.4 Investment in all areas of the capital programme contributes towards this community strategy, notably the investment in sustainable and affordable housing, building schools for the future, transport, environmental and major regeneration programmes.

(e) A connected city

20.5 The capital programme includes investment in highways infrastructure, and broadband expansion.

21 Key Policies and Considerations

(a) Equal Opportunities

21.1 By investing in building adaptations, access for people with mobility difficulties is made easier.

(b) Risk Management

21.2 The capital programme is based on forecast costs and funding, and as such there are risks to achieving the programme from external factors such as shortage of labour or materials, alongside market risks such as price fluctuations and interest rate charges. The Strategic Capital Board, and associated Portfolio Boards for each part of the programme, are tasked with regular monitoring of costs, delivery, quality and affordability, to help manage and mitigate these risks.

(c) Legal Considerations

21.3 None.

Appendix A - Proposed Capital Virements

Project Name	2019/20 In yr virement proposed	2020/21 In yr virement proposed	2021/22 In yr virement proposed	2022/23 In yr virement proposed
Collyhurst Acquisition & Demolition (Overbrook & Needwood Close)				-1,070
Total Private Sector Housing Programme	0	0	0	-1,070
Charlestown - Victoria Ave multistorey window replacement and ECW			345	
External cyclical works phase 3a	-7	-15		
Renewal of 4 automatic pedestrian gates at Victoria Square	-45			
External cyclical works Harpurhey - Jolly Miller Estate		-82		
External cyclical works Ancoats Smithfields estate	47	25		
External cyclical works Cheetham Appleford estate			2	
External cyclical works Higher Blackley South	-22	-29		
External cyclical works New Moston (excl corrolites)		-29		
Environmental improvements Moston corrolites	8	21		
Charlestown - Victoria Ave multistorey replacement door entry systems		-18		
ENW distribution network phase 4 (various)	-160	5		
Newton Heath - Croyden Drive Security Improvements	-100	-88		
Delivery Costs		-55		
2/4 Blocks Heating replacement with Individual Boilers		-7		
Ancoats - Victoria Square lift replacement	54			
Boiler replacement programme	-13	-6		
Kitchen and Bathrooms programme	-265	-924		
Newton Heath - Multies Internal Works	200	3,153	250	
Various - Bradford/Clifford Lamb/Kingsbridge/Sandyhill Court Internal Works		47		

Project Name	2019/20 In yr virement proposed	2020/21 In yr virement proposed	2021/22 In yr virement proposed	2022/23 In yr virement proposed
Fire precautions multi storey blocks	-341	-885		
Installations of sprinkler systems - multi storey blocks	-458	-623		
Multi Storey blocks door entry system renewal Sandyhill/Bradford Crts	-5	-31		
Fire Risk Assessments	-760			
Delivery Costs	156	367	404	
Bringing Studio Apartments back in use		-8		
Various Locations - bringing bedsits back into use			8	
Delivery Costs		-1		
Delivery Costs		-19		
Northwards Acquisitions		-3		
Stock Acquisitions		-28		
Delivery Costs		-4		
Northwards Housing Programme	1,711	-763	-1,009	
Collyhurst Estate Regeneration	-100		-9,580	
North Manchester New Builds 2		-7,850		
Collyhurst	100	7,850	9,580	1,070
Total Public Sector Housing (HRA) Programme	0	0	0	1,070
Plymouth Grove Refurbishment	-5			
Beaver Rd Primary Expansion	-19			
Lily Lane Primary	-19			
St. James Primary Academy	-26			
Webster Primary Schools	-19			
Basic need - unallocated funds	88			
Universal Infant Free School Meals (UIFSM) - Allocated	266			
Universal Infant Free School Meals (UIFSM) - Unallocated	-266			
Crowcroft Park PS-Rewire	-2			
Broad Oak Primary School Kitchen		146		
All Saints Prim Rewire	-58			
Armitage Prim Windows	-20			
Bowker Vale Prim Heating	5			
Buton Lane Prim Roof	-9			
Cheetwood Prim Heating	16			
Crosslee Comm Heating	1			
Crowcroft Park Roof Repairs	-26			
Higher Openshaw Rewire	-76			
Moston Fields Joinery	-37			

Project Name	2019/20 In yr virement proposed	2020/21 In yr virement proposed	2021/22 In yr virement proposed	2022/23 In yr virement proposed
Ringway Prim Roof	-56			
Sandilands Prim Windows	-17			
St Mary's Junior Windows	-9			
Ringway Primary School	10			
Schools Capital Maintenance - unallocated	278	-146		
Total Children's Services Programme	0	0	0	0
Core Infrastructure Refresh	-26			
Care Leavers Service	-14			
Replacement Coroners System	-60			
ICT Investment Plan	100			
Total ICT Programme	0	0	0	0
Total Manchester City Council Capital Programme	0	0	0	0

Appendix B - Proposed Revised Capital Budget

Project Name	2019/20 Proposed Budget	2020/21 Proposed Budget	2021/22 Proposed Budget	2022/23 Proposed Budget	2023/24 Proposed Budget	Total
Planned Highways Maintenance Programme	400	75	0	0	0	475
Drainage	3,575	2,051	1,871	0	0	7,497
Large Patching repairs	2,884	1,311	1,311	0	0	5,506
Carriageway Resurfacing	6,485	3,697	3,563	0	0	13,745
Footway schemes	892	4,050	3,857	0	0	8,799
Carriageway Preventative	6,096	6,325	3,054	0	0	15,475
Bridge Maintenance	370	3,782	3,048	0	0	7,200
Other Improvement works	122	6,595	7,186	0	0	13,903
Hyde Road (A57) Pinch Point Widening	1,535	3,579	0	0	0	5,114
Manchester/Salford Inner Relief Road (MSIRR)	7,783	100	0	0	0	7,883
Great Ancoats Improvement Scheme	2,121	6,074	105	0	0	8,300
Mancunian Way and Princess Parkway NPIF	4,178	4,111	87	0	0	8,376
School Crossings	3,017	2,653	0	0	0	5,670
Cycle City Phase 2	1,475	2,843	0	0	0	4,318
Green Bridge at Airport City	2,055	839	71	0	0	2,965
A6 Stockport Road Pinch Point Scheme	183	730	8	0	0	921
Velocity	54	0	0	0	0	54
Safe Routes to Loreto High School	212	0	0	0	0	212
20mph Zones (Phase 3)	70	86	0	0	0	156
Flood Risk Management - Hidden Watercourses	0	49	0	0	0	49
Flood Risk Management - Higher Blackley Flood Risk	0	41	0	0	0	41
Cycle Parking	15	0	0	0	0	15
Shadowmoss Rd / Mossnook Rd	12	0	0	0	0	12
Princess Rd Safety Review	47	439	0	0	0	486
Public Realm	1,056	1,366	400	0	0	2,822
Street Lighting PFI	9,000	3,657	0	0	0	12,657

Project Name	**2019/20 Proposed Budget**	**2020/21 Proposed Budget**	**2021/22 Proposed Budget**	**2022/23 Proposed Budget**	**2023/24 Proposed Budget**	**Total**
Didsbury West	1	23	0	0	0	24
A56 Liverpool Road	83	0	0	0	0	83
A56 Chester Road	51	0	0	0	0	51
Sunbank Lane	40	0	0	0	0	40
Sharston Roundabout SCOOT	40	0	0	0	0	40
Derwent Avenue	6	8	0	0	0	14
Woodhouse Park	50	15	0	0	0	65
Christie Extension RPZ	40	306	9	0	0	355
Residents Parking schemes	133	545	0	0	0	678
Arena Security Measures	185	12	0	0	0	197
Ladybarn District Centre	223	20	0	0	0	243
Levenshulme Mini Holland Cycling and Walking scheme	151	606	0	0	0	757
CCTV Operating System Upgrade	150	283	0	0	0	433
Northern/Eastern GW Walking and Cycling scheme- devel costs	119	601	0	0	0	720
Chimebank	34	0	0	0	0	34
Local Roads (temp SEMMMS A6 Stockport)	255	0	0	0	0	255
SEMMMs A6 to Manchester Airport	50	0	0	0	0	50
Bus Priority Package - Oxford Road	5	302	0	0	0	307
Bus Priority Package - Princess Street/Brook Street	140	13	0	0	0	153
Total Highways Programme	**55,393**	**57,187**	**24,570**	**0**	**0**	**137,150**
Waste Reduction Measures	250	1,209	0	0	0	1,459
Waste Contract	2,089	3,840	0	0	0	5,929
Smart Litter Bins	258	0	0	0	0	258
Hollyhedge Park Drainage IMPS	2	0	0	0	0	2
Heaton Park Pay & Display	8	0	0	0	0	8
PIP - Park Events Infrastructure	289	0	0	0	0	289

Project Name	2019/20 Proposed Budget	2020/21 Proposed Budget	2021/22 Proposed Budget	2022/23 Proposed Budget	2023/24 Proposed Budget	Total
Parks Development Programme	413	3,136	2,965	2,965	2,965	12,444
Heaton Park Bowls	48	0	0	0	0	48
Somme 100 Year Memorial	33	0	0	0	0	33
Painswick Park Improvement	30	0	0	0	0	30
Heaton Park Southern Play Area	370	0	0	0	0	370
Wythenshawe Park Sport Facilities	139	0	0	0	0	139
Northenden Riverside Park	75	0	0	0	0	75
King George V Park	81	0	0	0	0	81
Indoor Leisure - Abraham Moss	1,408	5,962	13,168	902	0	21,440
Indoor Leisure - Moss Side	93	0	0	0	0	93
Boggart Hole Clough - Visitors Centre	0	535	0	0	0	535
Mount Road	32	0	0	0	0	32
Velodrome Track	71	0	0	0	0	71
HSBC UK NCC Immediate Works	450	0	0	0	0	450
Active Lifestyle Centre Artificial Grass Pitch Replacement	198	0	0	0	0	198
Interactive Football Wall - Platt Fields Park	84	0	0	0	0	84
MAC - Booth St Car Park	148	0	0	0	0	148
Culture Website	42	0	0	0	0	42
Festive Lighting Strategy	138	0	0	0	0	138
Manchester Regional Arena Track Replacement	812	254	434	0	0	1,500
Cremator & Mercury Abatement Plant Replacement Strategy	0	1,007	544	0	0	1,551
Hough End Master Plan - Strat Football Hub Development Costs	52	189	0	0	0	241
Range Stadium Capital Project	465	0	0	0	0	465
Relocation of Manchester Visitor Info Centre (MVIC)	59	0	0	0	0	59
GM Archives Web Portal	48	80	0	0	0	128

Project Name	2019/20 Proposed Budget	2020/21 Proposed Budget	2021/22 Proposed Budget	2022/23 Proposed Budget	2023/24 Proposed Budget	Total
Central Library Wolfson Award	32	0	0	0	0	32
Roll Out of Central Library ICT	7	0	0	0	0	7
Newton Heath Library	17	0	0	0	0	17
Open Libraries	157	301	0	0	0	458
Contact Theatre loan	200	0	0	0	0	200
Total Neighbourhoods Programme	**8,598**	**16,513**	**17,111**	**3,867**	**2,965**	**49,054**
First Street Cultural Facility	14	0	0	0	0	14
The Factory (Build)	29,860	53,959	13,277	0	0	97,096
The Factory (Public Realm)	210	1,723	457	0	0	2,390
Asset Management Programme	9,317	11,650	9,030	0	0	29,997
MAC feasibility works	933	0	0	0	0	933
Town Hall Complex Transformation Programme	67	0	0	0	0	67
Hammerstone Road Depot	163	9,333	4,761	0	0	14,257
Carbon Reduction Programme	697	6,388	2,885	0	0	9,970
Estates Transformation	0	0	800	0	0	800
Estates Transformation - Hulme District Office	702	0	0	0	0	702
Estates Transformation - Alexandra House	5,639	5,994	133	0	0	11,766
Ross Place Refurbishment	434	0	0	0	0	434
Proud Trust - Sidney Street	250	0	0	0	0	250
The Space Project - Phase 2	0	987	0	0	0	987
The Sharp Project	60	540	0	0	0	600
Digital Asset Base - One Central Park	3,651	0	0	0	0	3,651
Strategic Acquisitions Programme	5,860	3,000	1,323	0	0	10,183
Sustaining Key Initiatives	0	0	5,000	8,600	0	13,600
Northern Gateway	6,175	6,675	7,275	4,875	0	25,000
Eastern Gateway - Central Retail Park	400	729	0	0	0	1,129
Eastern Gateway - New Islington Marina	3,522	61	0	0	0	3,583
Hall and Rogers	57	0	0	0	0	57

Project Name	2019/20 Proposed Budget	2020/21 Proposed Budget	2021/22 Proposed Budget	2022/23 Proposed Budget	2023/24 Proposed Budget	Total
St. Peters Square	999	0	0	0	0	999
Medieval Quarter Public Realm	76	1,587	0	0	0	1,663
City Labs 2	2,023	0	0	0	0	2,023
Manchester College	5,000	5,000	0	0	0	10,000
Digital Business Incubators	2,000	0	0	0	0	2,000
Lincoln Square	0	0	1,200	0	0	1,200
Hulme Hall Rd Lighting	36	0	0	0	0	36
New Smithfield Market	0	469	0	0	0	469
Heron House and Registrars	3,085	1,388	0	0	0	4,473
Civic Quarter Heat Network	9,557	9,507	4,000	0	0	23,064
Total Growth & Development Programme	**90,787**	**118,990**	**50,141**	**13,475**	**0**	**273,393**
Our Town Hall refurbishment	17,051	49,132	92,739	99,321	34,652	292,895
Total Town Hall Refurbishment Programme	**17,051**	**49,132**	**92,739**	**99,321**	**34,652**	**292,895**
Brunswick PFI Land Assembly	1,176	550	558	0	0	2,284
Collyhurst Regeneration	0	178	1,000	2,700	0	3,878
Collyhurst Environmentals	0	55	0	0	0	55
Collyhurst Land Assembly Ph1	4	29	0	0	0	33
Collyhurst Land Acquisitions Ph2	0	0	210	799	0	1,009
Eccleshall Street - 3 Sites	0	500	0	0	0	500
Site Investigation and Early Works HIF Pilot Sites	185	65	0	0	0	250
Miles Platting PFI Land Assembly	6	550	0	0	0	556
Disabled Facilities Grant	6,500	7,501	6,200	0	0	20,201
Toxteth St CPO & environmental works	15	141	0	0	0	156
Bell Crescent CPO	0	0	0	0	482	482
HCA Empty Homes Cluster Phase 2	386	415	891	0	0	1,692
Princess Rd	0	100	0	0	0	100
Empty Homes Scheme (s22 properties)	0	2,000	0	0	0	2,000
Redrow Development Phase 2 onward	3	20	0	0	0	23

Project Name	2019/20 Proposed Budget	2020/21 Proposed Budget	2021/22 Proposed Budget	2022/23 Proposed Budget	2023/24 Proposed Budget	Total
West Gorton Compensation	0	4	0	0	0	4
West Gorton Ph 2A Demolition & Commercial Acquisitions	15	433	904	0	0	1,352
HMRF	100	40	54	0	0	194
Collyhurst Acquisition & Demolition (Overbrook & Needwood Close)	-3	0	664	0	0	661
Extra Care	0	1,245	1,200	0	0	2,445
Moston Lane Acquisitions	0	0	0	0	7,500	7,500
Equity Loans	0	397	0	0	0	397
West Gorton Community Park	1,026	805	0	0	0	1,831
Ben St. Regeneration	379	877	0	0	0	1,256
Marginal Viability Fund - New Victoria	505	6,705	3,290	0	0	10,500
Total Private Sector Housing Programme	**10,297**	**22,610**	**14,971**	**3,499**	**7,982**	**59,359**
Charlestown - Victoria Ave multistorey window replacement and ECW	3,740	8,209	3,574	0	0	15,523
External cyclical works phase 3	2	0	0	0	0	2
Harpurhey Lathbury & 200 Estates external cyclical works ph 3b	0	-18	31	0	0	13
Environmental works	19	0	0	0	0	19
Harpurhey Shiredale Estate externals	0	0	15	0	0	15
Moston Miners Low Rise externals	0	0	18	0	0	18
Newton Heath Limeston Drive externals	0	0	6	0	0	6
External cyclical works ph 3b Moston Estates (Chauncy/Edith Cliff/Kenyon/Thorveton Sq)	0	0	2	0	0	2
External cyclical works ph 3b Ancoats Smithfields estate	156	25	0	0	0	181
External cyclical works ph 4b Charlestown Chain Bar low rise	0	0	45	0	0	45

Project Name	2019/20 Proposed Budget	2020/21 Proposed Budget	2021/22 Proposed Budget	2022/23 Proposed Budget	2023/24 Proposed Budget	Total
External cyclical works ph 4b Charlestown Chain Bar Hillingdon Drive maisonettes	0	0	15	0	0	15
External cyclical works ph 4b Cheetham Appleford estate	0	0	2	0	0	2
External cyclical works ph 4b Crumpsall Blackley Village	0	0	34	0	0	34
External cyclical works ph 4b Higher Blackley South	6	0	1	0	0	7
External cyclical works ph 4b Newton Heath Assheton estate	0	0	27	0	0	27
External cyclical works Ph 4b Newton Heath Troydale Estate	0	0	89	0	0	89
External cyclical works Ph 5 New Moston (excl corrolites)	0	0	9	0	0	9
Environmental improvements Moston corrolites	75	21	0	0	0	96
ENW distribution network phase 4 (various)	222	5	0	0	0	227
Dam Head - Walk up flates communal door renewal	140	0	0	0	0	140
Various Estate based environmental works	65	100	135	0	0	300
Delivery Costs	816	918	440	0	0	2,174
Decent Homes mop ups ph 9 and decent homes work required to voids	1	0	89	0	0	90
One offs such as rewires, boilers, doors, insulation	3	0	30	0	0	33
Ancoats - Victoria Square lift replacement	427	0	0	0	0	427
Job 40502 Aldbourne Court/George Halstead Court/Duncan Edwards Court works	12	0	0	0	0	12
Boiler replacement programme	-5	-6	0	0	0	-11
Harpurhey - Monsall Multis Internal Works	1,500	1,062	200	0	0	2,762
Newton Heath - Multies Internal Works	200	3,153	250	0	0	3,603
Higher Blackley - Liverton Court Internal Works	800	45	0	0	0	845

Project Name	2019/20 Proposed Budget	2020/21 Proposed Budget	2021/22 Proposed Budget	2022/23 Proposed Budget	2023/24 Proposed Budget	Total
Various - Bradford/Clifford Lamb/Kingsbridge/Sandyhill Court Internal Works	2,598	132	0	0	0	2,730
Charlestown - Rushcroft/Pevensey Court Internal Works	700	711	150	0	0	1,561
Collyhurst - Mossbrook/Roach/Vauxhall/Humphries Court Internal Works	2,348	343	106	0	0	2,797
Decent Homes mop ups phase 10 and voids	378	384	0	0	0	762
One off work - rewires, boilers, doors	158	0	0	0	0	158
Fire precautions multi storey blocks	0	150	0	0	0	150
Installations of sprinkler systems - multi storey blocks	218	0	273	0	0	491
ERDF Heat Pumps	0	3,768	350	0	0	4,118
Charlestown - Rushcroft/Pevensey Courts Lift Refurb	0	0	525	0	0	525
One off type work (rewires/boilers/doors)	100	300	0	0	0	400
Fire Risk Assessments	300	3,046	2,500	0	0	5,846
Northwards - Harpurhey 200 Estate Internal Works	250	686	0	0	0	936
Delivery Costs	1,814	1,440	492	0	0	3,746
Bringing Studio Apartments back in use	7	0	10	0	0	17
Various Locations - bringing bedsits back into use	0	0	104	0	0	104
Delivery Costs	2	0	13	0	0	15
Improvements to Homeless accommodation city wide	1	0	36	0	0	37
Plymouth Grove Women's Direct Access Centre	0	0	28	0	0	28
Improvements to Homeless Accommodation	345	662	147	0	0	1,154
Delivery Costs	46	73	23	0	0	142
Public Sector Northwards Adaptations	200	0	0	0	0	200
Adaptations	750	770	0	0	0	1,520
Northwards Housing Programme	0	4,638	137	21,982	0	26,757
Collyhurst Maisonette Compensation & Dem	0	89	0	935	0	1,024
West Gorton PH2A Low & High Rise Demolition	10	16	0	0	0	26

Project Name	2019/20 Proposed Budget	2020/21 Proposed Budget	2021/22 Proposed Budget	2022/23 Proposed Budget	2023/24 Proposed Budget	Total
Collyhurst Estate Regeneration	0	0	0	1,541	0	1,541
Buy Back Properties - Right to Buy	155	0	0	0	0	155
Collyhurst Regen - Highways Phase 1	0	190	97	1,394	0	1,681
Collyhurst Regen - Churnett Street	0	0	0	790	0	790
Collyhurst Regen - Needwood & Overbrook acquisition / demolition	0	125	0	0	0	125
Willert Street Park Improvements	0	10	0	0	0	10
North Manchester New Builds	227	319	0	0	0	546
North Manchester New Builds 2	442	2,850	0	0	0	3,292
North Manchester New Builds 3	294	351	0	0	0	645
Parkhill Land Assembly	0	0	4,270	0	0	4,270
Collyhurst	100	3,655	13,890	955	0	18,600
Total Public Sector Housing (HRA) Programme	**19,622**	**38,222**	**28,163**	**27,597**	**0**	**113,604**
Holy Trinity VC Primary	47	0	0	0	0	47
Lytham Rd	100	0	0	0	0	100
Plymouth Grove Refurbishment	107	0	0	0	0	107
Beaver Rd Primary Expansion	94	0	0	0	0	94
Lily Lane Primary	54	0	0	0	0	54
St. James Primary Academy	8	0	0	0	0	8
Crossacres Primary School	30	0	0	0	0	30
Ringway Primary School	5	0	0	0	0	5
Webster Primary Schools	11	0	0	0	0	11
Dean Trust Expansion	1,000	2,784	0	0	0	3,784
Brookside Rd Moston	362	4,920	1,745	28	0	7,055
North Hulme Adv Playground	278	3,400	683	11	0	4,372
Monsall Road (Burgess)	290	3,717	979	20	0	5,006
Roundwood Road	330	5,525	1,127	34	0	7,016
KS3/4 PRU Pioneer Street	70	0	0	0	0	70

Project Name	2019/20 Proposed Budget	2020/21 Proposed Budget	2021/22 Proposed Budget	2022/23 Proposed Budget	2023/24 Proposed Budget	Total
SEND Expansions - Melland & Ashgate	866	0	0	0	0	866
Basic need - unallocated funds	200	488	17,707	43,286	0	61,681
Universal Infant Free School Meals (UIFSM) - Allocated	266	0	0	0	0	266
Universal Infant Free School Meals (UIFSM) - Unallocated	75	0	0	0	0	75
Moston Lane - re-roof	19	0	0	0	0	19
Abbott Primary School Fencing	11	0	0	0	0	11
Crowcroft Park PS-Rewire	-2	0	0	0	0	-2
Broad Oak Primary School Kitchen	85	730	0	0	0	815
All Saints Prim Rewire	419	0	0	0	0	419
Armitage Prim Windows	101	0	0	0	0	101
Bowker Vale Prim Heating	267	0	0	0	0	267
Buton Lane Prim Roof	183	0	0	0	0	183
Cheetwood Prim Heating	142	0	0	0	0	142
Crosslee Comm Heating	81	0	0	0	0	81
Crowcroft Park Roof Repairs	120	0	0	0	0	120
Grange School Sports Hall	163	0	0	0	0	163
Higher Openshaw Rewire	773	0	0	0	0	773
Lily Lane Prim Windows	7	46	0	0	0	53
Moston Fields Joinery	184	0	0	0	0	184
Ringway Prim Roof	175	0	0	0	0	175
Sandilands Prim Windows	106	0	0	0	0	106
St Mary's Junior Windows	34	0	0	0	0	34
Ringway Primary School	10	0	0	0	0	10
Alma Park Gas Improvement	1	0	0	0	0	1
Schools Capital Maintenance -unallocated	1,644	2,854	3,000	0	0	7,498
Paintpots	3	6	0	0	0	9

Project Name	2019/20 Proposed Budget	2020/21 Proposed Budget	2021/22 Proposed Budget	2022/23 Proposed Budget	2023/24 Proposed Budget	Total
Early Education for Two Year Olds - Unallocated	0	52	0	0	0	52
Gorton Youth Zone	1,275	0	0	0	0	1,275
Healthy Pupil Capital Funding	257	0	0	0	0	257
North Ridge SEN	283	2,747	9	0	0	3,039
Special Educational Needs grant	0	1,160	0	0	0	1,160
Seymour Road	1,200	0	0	0	0	1,200
Commercial Wharf/ISS Refurbishment of YJS Building	294	0	0	0	0	294
Ghyll Head	25	1,091	0	0	0	1,116
Acquisition of land at Hyde Road	13,144	13	12	0	0	13,169
Total Children's Services Programme	**25,197**	**29,533**	**25,262**	**43,379**	**0**	**123,371**
Solaris	2	0	0	0	0	2
New Social Care System	1,699	0	0	0	0	1,699
End User Computing	117	0	0	0	0	117
Core Infrastructure Refresh	83	0	0	0	0	83
Internet Resilience	23	27	0	0	0	50
New Rent Collection System	33	0	0	0	0	33
Communications Room Replacement Phase 2	61	1,795	3,996	514	0	6,366
Data Centre Network Design and Implementation	2,867	250	0	0	0	3,117
End User Experience	699	3,425	0	0	0	4,124
Replacement Coroners System	83	0	0	0	0	83
Telephony	0	200	200	0	0	400
ICT Investment Plan	0	0	6,728	8,900	7,690	23,318
Wider Area Network Redesign	22	0	0	0	0	22
Total ICT Programme	**5,689**	**5,697**	**10,924**	**9,414**	**7,690**	**39,414**
ONE System Developments	11	0	0	0	0	11
Pay and Display Machines	750	174	0	0	0	924
Phase 1 Implementation - Locality Plan Programme Office	485	100	0	0	0	585

Project Name	2019/20 Proposed Budget	2020/21 Proposed Budget	2021/22 Proposed Budget	2022/23 Proposed Budget	2023/24 Proposed Budget	Total
Integrated Working - Gorton Health Hub	1,970	17,171	2,272	481	0	21,894
Alcohol Treatment for Fibroscan Machine	40	0	0	0	0	40
BioMedical Investment	7,958	6,100	2,700	0	0	16,758
Band on the Wall	200	0	0	0	0	200
Manchester Jewish Museum Loan	0	290	0	0	0	290
Manchester Airport Car Park Investment	3,700	1,900	0	0	0	5,600
FC United	250	0	0	0	0	250
Total Corporate Capital Programme	**15,364**	**25,735**	**4,972**	**481**	**0**	**46,552**
Total Manchester City Council Capital Programme	**247,998**	**363,619**	**268,853**	**201,033**	**53,289**	**1,134,792**
Housing Investment Fund	70,000		0	0	0	70,000
Total GM projects	**70,000**	**0**	**0**	**0**	**0**	**70,000**
Total CAPITAL PROGRAMME	**317,998**	**363,619**	**268,853**	**201,033**	**53,289**	**1,204,792**

Appendix C - Delegated Budget Approvals February 2020

Approvals under authority delegated to the City Treasurer February 2020
EXECUTIVE

Dept	Scheme	Funding	2019/20 £'000	2020/21 £'000	2021/22 £'000	Future £'000	Total £'000
Highways Services	Great Ancoats Improvement Works	External Contribution		231			231
Public Sector Housing	Chimebank S106	External Contribution	34				34
Total Delegated Approval Requests			**34**	**231**	**0**	**0**	**265**

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Manchester City Council
Report for Resolution

Report to: Executive – 12 February 2020
Resources and Governance Scrutiny Committee – 24 February 2020

Subject: Budget 2020/21 – Covering Report

Report of: Chief Executive and City Treasurer

Purpose of the Report

The 2020/21 Budget is a one year budget following the Government's decision to announce a one year spending round 4 September 2019 followed by a one year Local Government Finance Settlement, 2020/21 released on 6 February 2020. The proposed 2020/21 budget will continue to reflect the priorities identified in the three-year budget strategy 2017-20 and as set out in the Corporate Plan. These have been updated to include action required to address the climate emergency declared by the Council. This report sets out the context including:

- The priorities that shaped the three year Strategy
- Progress to date, building on the recent State of the City analysis
- A summary of the financial position
- The required statutory assessment of the robustness of the proposed budget

Recommendation

The Executive is requested to consider the Revenue Budget Reports 2020/21 and Capital Strategy 2020-2024 elsewhere on the agenda in the context of the overarching framework of this report.

Wards Affected: All

Environmental Impact Assessment - the impact of the issues addressed in this report on achieving the zero-carbon target for the city
The proposed 2020/21 budget will reflect the fact that the Council has declared a climate emergency by making carbon reduction a key consideration in the Council's planning and budget proposals.

Our Manchester Strategy Outcomes	Summary of the contribution to the strategy
A thriving and sustainable city: supporting a diverse and distinctive	This report sets out the Strategic Framework for the delivery of a balanced budget for

economy that creates jobs and opportunities.	2020/21. The Framework is aligned to the priorities of the Our Manchester Strategy.
A highly skilled city: world class and home grown talent sustaining the city's economic success.	
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities.	
A liveable and low carbon city: a destination of choice to live, visit and work.	
A connected city: world class infrastructure and connectivity to drive growth.	

Implications for:

Equal Opportunities Policy – there are no specific Equal Opportunities implications contained within this report.
Risk Management – as detailed in the report.
Legal Considerations – as detailed in the report.

Financial Consequences – Revenue and Capital

This report provides the framework for Revenue and Capital planning from 2020/21.

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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 Introduction

1.1 At its meeting on 13 February 2019 Executive agreed to the 2019/20 budget, which was the final year in the three year budget strategy for 2017-20. It was expected that there would be a spending review in 2019, resulting in a new multi-year settlement from 2020/21. However this did not happen and a one year spending round was announced on 4 September 2019. The Final Local Government Finance Settlement 2020/21 was released on 6 February 2020. This report sets out the context including:

- The priorities that shaped the three year Strategy
- Progress to date on delivering the Our Manchester Strategy, building on the recent State of the City analysis
- A summary of the financial position and context
- The required statutory assessment of the robustness of the proposed budget and adequacy of proposed reserves
- Other fiduciary and statutory duties
- Financial Governance

2 Priorities and Context

2.1 The priorities for the Council are set out in the ‘Our Manchester’ Strategy, the long-term vision for the city. The underpinning principles of the budget strategy have been developed to support a change in the way that services are delivered and in the relationship between the Council and the people of Manchester.

2.2 The three year budget strategy was agreed at a time when the City and the Region had additional powers devolved for transport, skills, health and housing which provided significant opportunities. But whilst there continues to be progress in growing the Manchester economy there is still a long way to go to tackle the legacy of deprivation that remains. The need to restructure the City's economy and eliminate the level of exclusion which a high proportion of residents still experience through unemployment, low skills and low paid unstable work helped shape the Our Manchester Strategy and remains the priority.

2.3 The Our Manchester ten year ambitions are the touchstone when decisions are taken about what to prioritise, and set the framework for the Medium Term Financial and Capital Strategies. Our Manchester seeks to make Manchester a city that is:

- Thriving - creating jobs and healthy businesses
- Filled with talent- both home grown talent and attracting the best in the world
- Fair - with equal chances for all to unlock their potential
- A great place to live - with lots of things to do
- Buzzing with connections - including world class transport and broadband

2.4 The challenge remains to continue to provide services when the population is increasing and the resources available to the Council are not at the required levels. The State of the City Report published in 2019 set out the progress made against Our Manchester, this is summarised in section 3. The proposed 2020/21 budget will continue to reflect the priorities identified in the three-year budget strategy and as set out in the Corporate Plan. The plan was updated in December 2019 to include action required to address the city's zero carbon ambitions and climate emergency declared by the Council. The Corporate Plan has provided the framework for the budget and Single Council Business Plan.

2.5 The Single Council Business Plan 2020/21 describes in more detail the action being taken to deliver the Corporate Plan this year. The plan is structured around the eight priority themes and has been produced following the development of 41 service plans which describe in more detail the achievements, priorities and activities of the 41 services which collectively make up Manchester City Council. The plan also describes the Council's key workforce and technology considerations for 2020/21 as key enablers to delivering our Corporate Plan. Equalities implications are also described as well as our approach to risk management.

2.6 A number of key activities will support delivery of a number of our Corporate Plan priorities including:

- Delivery of the approach to place-based reform in Manchester - Bringing Services Together for People in Places
- Integration of Health and Social Care through partnership arrangements with the NHS
- Delivery of the Local Industrial Strategy which will deliver inclusive and green growth for the city of Manchester
- Delivery of Our Transformation - a new Council-wide portfolio of programmes which have been set up with a view to changing how we work as an organisation to ensure we can deliver our corporate priorities and specifically ensure that we are a 'well managed council'
- Continuing to ensure that the 'Our Manchester' approach is the way we do things here, rather than a thing we do

2.7 Finally the Medium Term Financial Plan and Capital Strategy have been updated to reflect the 2019/20 budget position. There has also been additional funding, particularly for social care, made available through the Spending Round and the Local Government Finance Settlement 2020/21. Whilst the Government has provided some additional funding to address the pressures local authorities are facing for social care, this is insufficient to meet the underlying increases in need and there is no longer term solution beyond 2020/21.

2.8 Although the net savings proposals for 2020/21 are lower than previous years, at £2.8m, the fact remains that this continues to be a period of austerity. Rising demand for services has been experienced in 2019/20 and is expected to continue next year. In recognition of the challenges faced by Adults and Children's Social Care and the Homelessness Service efficiencies identified in those areas have been used to help achieve a balanced budget in 2020/21, with a focus on stabilising the position and preparing for possible changes from 2021/22 onwards. The need to make budget reductions is expected to continue over the next five years. The Local Government Association is estimating that by 2025 Local Government Services face a funding gap of at least £7.8bn, just to stand still, much of this relating to social care.

3 Progress on Delivering the Our Manchester Strategy

A Thriving City, Buzzing with Connections

3.1 Manchester's population has grown rapidly over the past year with an estimated 575,400 residents in 2019[1] , projected to reach upwards of 660,000 by 2028. This growth has been concentrated in and around the city centre. The number of children living in Manchester has also grown, leading to an increased demand for primary and secondary school places and this is reflected in the investment in school expansion and new schools. International migration continues to be a key driver of the city's growing population. However, the extent of this future growth will depend upon a range of external factors, including the position of the United Kingdom (UK) outside the European Union. Some immediate risks of impact - those that could arise due to a 'no deal' Brexit - have receded, due to the UK exit date of 31 January 2020 with a withdrawal agreement. However, it is unknown what arrangements will have been agreed about what the future relationship of the UK with the EU will eventually look like by the end of the transition period on 31 December 2020. Therefore, potential impacts on sectors such as social care and hospitality remain a real concern.

3.2 Manchester is continuing to work to shape the future, particularly in terms of transport, skills, health and housing, with new powers devolved to the city region. Over the next ten years a number of global and national issues such as changing patterns of international trade as a result of Brexit and the enduring impacts of Climate Change will impact. In September 2019, the Council adopted its *"Developing a More Inclusive Economy – Our Manchester Industrial Strategy"* which sets out Manchester's vision and delivery plan for developing a more inclusive economy. The Council's Capital Strategy makes the development of a more inclusive economy a key investment priority, through major developments in the city such as the Northern and Eastern Gateways, and through the use of progressive procurement policies and the creation of social value when investing.

3.3 An integrated, attractive and affordable transport network is needed to enable residents to access jobs and improve their health through increasing levels of active travel. There continues to be an increasing demand for travel in the city centre using sustainable travel modes. A refreshed *City Centre Transport Strategy* is in preparation to take account of: the ongoing and future predicted growth of the city centre, the *Greater Manchester Transport Strategy 2040*, and the ambition to be a zero carbon city by 2038 at the latest. Recent

[1] MCC Forecasting Model W2018

developments include the anticipated opening ahead of schedule - in April 2020 - of the new £350m Metrolink Trafford Park Line.

3.4 Manchester's economy has continued to grow, with its performance exceeding that of both Greater Manchester and the UK as a whole. Manchester's growth sectors in terms of Gross Value Added (GVA) and number of jobs have remained fairly consistent over recent years, but there have been some changes in the latest publication of the Greater Manchester Forecasting Model (2018). Business, financial and professional services; and cultural, creative and digital are still two of the major growth sectors, but both construction, and wholesale and retail are now the other growth sectors replacing science, research and development. Construction in particular is now projected to grow at a significant rate, driven by some of the major developments in the city.

3.5 The creative industries across the UK are the fastest-growing economic sector and are recognised as being vital to the success of Manchester. A top-class cultural offer is vital to the international positioning and profile of the city. The significant government and Council investment in The Factory will provide an international arts venue that is unmatched outside of London and should see GVA, visitors and jobs increase.

3.6 Major developments in the city centre include Mayfield, St John's, Great Jackson Street, Piccadilly, First Street, and Circle Square. Key successes include the Oxford Road Corridor, which continues to attract new occupants to the cohesive cluster of science and technology businesses, academics, clinicians and world-leading health institutions.

3.7 Digital connectivity continues to improve for residents and businesses. Despite this, there is still a need to increase broadband coverage and deliver full-fibre coverage across Manchester at a faster pace to secure the city's status as a leading digital centre. The ICT Strategy will include investment to support the roll out of Full Fibre. The Council is currently working to secure funding from the Local Full Fibre Network (LFFN) Program, and is in discussions with the Department for Digital, Culture, Media and Sport (DCMS) with regard to the award of funds in the near future.

A City that is Filled with Talent

3.8 A highly skilled workforce is fundamental to creating an inclusive economy in Manchester. Upskilling the city's population is also vitally important in reducing levels of dependency by ensuring that more people have the opportunity to access high quality jobs and share in the city's economic growth.

3.9 The city's employment offer has continued to increase and diversify; in 2018, there were 400,000 employees working in the city, an increase of 12% since 2015. This growth has been driven by success in a number of the city's key growth sectors: science and research and development; cultural, creative and digital; and business, financial and professional services. Manchester has a higher than national average proportion of residents qualified to degree level and above. However, although the proportion with no qualifications has improved since 2015 (12.4%), in 2018 this was still 10.5%, compared to a national rate of 8%. The £90 gap between resident and workplace gross weekly wage is the largest of English core cities. In 2019 an estimated 13.1% of employees working in Manchester were paid less than the Living Wage Foundation Real Living Wage of £9 an hour. For employees living in Manchester that percentage was estimated to be 21.8%. The Family Poverty Strategy (2017-2022) was developed to address poverty in Manchester, which is a major challenge affecting many of the city's families.

3.10 Enabling all residents, which include the City's children, young people and their families to share in the City's economic success by getting good jobs will require further improvements in early years services, schools and skills and employment programmes. After a number of years of sustained improvement primary schools have seen a dip in attainment outcomes in 2019, the percentage of pupils achieving the expected standard in combined reading, writing and maths at KS2 has dropped in 2019, widening the gap with the national average. Although improvements have been sustained at secondary schools, Manchester still has a lower number of pupils achieving GCSEs in English and Maths and a lower Attainment 8 and progress 8 level than the national average. There is ongoing work with schools and system leaders to improve attainment results with a particular focus on reading. The number of schools judged to be good or better is increasing and is above the national average with 90% of Manchester schools judged to be good or better.

3.11 Work is taking place to ensure that education and training is aligned with the skills needed by business in and around the City. Apprenticeships and action to tackle youth unemployment, particularly in the most deprived neighbourhoods, and for Children Leaving Care continue to be a top priority. Capital investment in schools will continue with investment in the primary and secondary estate to create new places and to provide permanent accommodation where schools are currently using temporary facilities.

3.12 There are some direct links between low skills and a low-wage economy, and this is an area where some progress is being made in ensuring that everyone is paid at least a living wage. The Council was successfully accredited as a Living Wage Employer by the National Living Wage Foundation in November 2019. The Council is also supporting Manchester College to provide a city centre campus that will support residents to achieve the skills required to match the jobs being created.

A Fair City

3.13 The vision is to build a safe, happy, healthy and successful future for children and young people. Progress has been achieved in Children's Social Care services, characterised by the Ofsted judgement in December 2017 that services to children and young people looked after and those in need of help and protection are no longer inadequate. However the increasing number of children and young people being looked after is putting a significant strain on the Council's budget. Manchester has recently refreshed its approach to early help which can enable children, young people and their families to achieve their potential and reduce demand on more reactive and expensive services. Some of the additional one-off funding the council has received will be used to increase the budget in these areas.

3.14 Tackling homelessness is fundamental to the Our Manchester Strategy. There has been a significant increase in the numbers of households who are homeless in Manchester including families, single people, young people, and people who are rough sleeping. This trend is also reflected nationally. The rollout of Universal Credit, welfare reform, the capping of the Local Housing Allowance and the Homelessness Reduction Act 2017 which came into force in April 2018 have all led to further demand on services. The demand for social housing in the city and the lack of good quality, affordable private rented sector housing has led to many people being trapped within homelessness and poverty.

3.15 The scale of staffing funded through short-term funding streams represents a significant risk to the ability of the service to deliver priorities, improve outcomes for people and also meet statutory duties. It is proposed that investment of c£1m is provided in 2020/21 to facilitate the permanent recruitment of staff in posts which support the prevention activity funded from a reduction in the spending on temporary accommodation. This is predicated on continued success in securing central government funding from the Rough Sleeper Initiative of £0.5m in 2020/21 to continue the success in reducing the numbers of people sleeping rough on our streets

3.16 Dispersed temporary accommodation placements have increased by 106 since March 2019 to 1,597 in October 2019. The number of homelessness presentations in Manchester continues to rise. Presentations for Quarter 2 are 2,525, the highest recorded in any quarter and 27% higher than at this stage in 2018/19. Funding for increased need of £0.979m has been applied to support the budget position based on estimated growth in demand since the start of the year.

3.17 A spending reduction on temporary accommodation of £1m in 2020/21 is estimated from a reduction in the cost to the Council of temporary accommodation. This is based on 100 existing properties being managed by Registered Providers (RPs) by end of March 2020, increasing to 200 by June 2020, 300 by September and 400 by December 2020. Further discussions are being undertaken with housing providers, including an option to utilise the GM Ethical Lettings Agency (operated through GM Housing Providers). The option under consideration would target transfer of properties outside of the city boundaries, thereby further reducing the Council’s reputational as well as financial risk. The approach with RPs has been agreed in principle and financial due diligence is being undertaken to achieve the first transfer of 100 properties by the end of March 2020.

3.18 Economic improvements have not been matched by similar improvements in health outcomes. People living in Manchester experience higher levels of ill health and early death than other major cities and local authorities in England. Life expectancy is 7.7 years lower for men and 7.6 years lower for women in the most deprived areas of Manchester than in the least deprived areas. The Manchester Population Health Plan[2] describes how the Council will work with partners to deliver improved health outcomes and reduced inequalities.

3.19 The original Locality Plan: Our Healthier Manchester, produced in 2016, set out the ambition to improve health and care outcomes for the people of Manchester within a financially sustainable health and social care system. The initial focus led to a rationalisation of the Manchester system, through the creation of a single commissioning function, a single hospital service, and a local care organisation (LCO). Greater Manchester Mental Health Trust replaced the previous provider as the lead for delivering mental health services in Manchester.

3.20 The updated Locality Plan (April 2018), set within the context of the city's Our Manchester strategy, shifted the emphasis away from structural change to a focus on Our People, Our Services and Our Outcomes. The Locality Plan is now being refreshed again, to reflect the place-based approach to public services across Greater Manchester (Bringing Services Together for People in Places in Manchester) and the requirements of the NHS Long Term Plan.

3.21 In April 2018, the new Manchester Local Care Organisation (MLCO) – a partnership between the Council and a range of health organisations – took over the running of statutory community health and adult social-care services and delivers integrated and accessible out-of-hospital services across the city's 12 neighbourhoods, providing integrated services that will improve outcomes at a reduced cost. A key role for MLCO is preventing inappropriate admissions and facilitating timely discharge from hospital which is being facilitated by seasonal pressures funding. In addition, the Council has invested directly into adult social care to ensure that timely access to adult social care services is available for those who need them.

3.18 MLCO has developed a number of new care models designed to improve outcomes and services for residents, and reduce demand for high cost services. Evaluations to date have shown emerging evidence of reduce demand, for example:

- Manchester Case Management (previously known as High Impact Primary Care) has shown, through a quantitative analysis of hospital activity, a statistically significant reduction in Accident and Emergency attendances post service start
- Reablement has shown that for the cohort of people who have had Reablement service during 2018/19 financial year and went on to have a home care package after leaving Reablement had, on average, 26% fewer homecare visits and 22% fewer homecare hours during the 6 months post reablement
- ExtraCare has shown that neighbourhood apartments have likely necessitated up to 1,200 fewer days of residential / nursing care to the wider health and care system

[2] http://www.manchester.gov.uk/healthplan

A Great Place to Live

3.22 Manchester's future success is inextricably linked to whether it is a great place to live. The City's different neighbourhoods need the right mix of housing that people can afford, good schools, parks, sports and cultural facilities, roads and transport links and streets and public spaces free of litter and antisocial behaviour. Residents have identified through the Our Manchester Survey that they value their local assets with satisfaction with services mirroring the quality of available shops and amenities, green spaces, libraries and health services. The Capital Strategy includes the further planned investment in the city's parks, leisure facilities and libraries as well as the £100m investment programme to improve the condition of the city's roads and footpaths. Further investment to reduce litter and fly tipping is prioritised in the updated Budget Strategy.

3.23 The housing pipeline is continuing to deliver new homes at scale across the city with over 4,000 new homes expected to complete in 2019/20 (up from c.3,000 in 2018/19). Manchester's housing delivery is now competing with some of the fastest growing London boroughs with just Greenwich & Tower Hamlets delivering more units in 2018/19. This success is expected to continue with investment in the Northern Gateway (a joint venture between the Council and the Far East Consortium) in particular providing an opportunity to unlock large scale, high volume, multi-tenure housing sites with the potential to deliver up to 15,000 new homes over the next 15 years.

3.24 The Housing Strategy includes a housing growth target of 32,000 new homes between April 2015 and March 2025 including a minimum 6,400 affordable homes. Of the latter 3,000 are either delivered, on site or committed to be delivered by March 2021 with a further minimum of 3,400 to be delivered by March 2025 through use of Council land, Registered Social Landlord partner resources and investment capacity in the Housing Revenue Account. Achieving this target is dependent on the government funding in these areas being available. The city's overall annual housing target will continue to be met in the short-term but maintaining supply will require ongoing investment in key infrastructure in, for example, the Eastern and Northern Gateways in order to unlock housing sites.

3.25 In respect of Climate Change, the Council's direct carbon emissions in 2018/19 were 48.1% lower than in 2009/10, exceeding our carbon emission reduction target of 41% by March 2020 a year ahead of schedule. In November 2018 the Council worked with the Tyndall Centre for Climate Change Research at the University of Manchester to develop science-based carbon emission reduction targets to ensure that Manchester plays its full part in reaching the UKs commitment to the Paris Agreement. As such, the city and the Council adopted a science-based carbon budget limiting the city's CO_2 emissions to no more than 15 million tonnes between 2018 and 2100 and committed the city to becoming zero carbon by 2038 at the latest. This means reducing emissions by approximately 13% each year, in effect halving them over the next five years. This target is 12 years earlier than the national 2050 target.

3.26 In July 2019 the Council declared a climate emergency recognising that urgent action needs to be taken to reduce the city's carbon emissions and mitigate the negative impacts of climate change. Following the declaration of a climate emergency, the Council established a Zero Carbon Coordination Group (ZCCG) to drive forward the integrated activity required to ensure that the Council plays its full part in ensuring the city reaches its ambitious climate change commitments. The city and the Council are currently in the process of developing a robust Zero Carbon Action Plan 2020-25. This will outline the activity that needs to take place to reduce both our direct emissions (from our operational estate, street lighting, waste fleet and transport activities) and how we will lead the city in reducing its emissions.

3.27 We recognised that the Council has a wide range of policy-making and regulatory functions and that many of these already include aspects that encourage low carbon behaviours and activities. In order for the Council and the city to be zero carbon by 2038 we will ensure that all key decisions the Council makes and policies and procedures we implement will support this ambition. Manchester City Council only has direct control over a small percentage of emissions in the city (our direct emissions). As such how we work with and influence others to also play their full part in responding to the climate emergency will be vital in the wider city achieving its zero carbon ambitions. We will work with and exert our influence on as many organisations and individuals as possible in the way services are designed, delivered and communicated and creating opportunities to encourage and support partners and residents to play a key role in achieving the city's climate change objectives.

3.28 Whilst there has been an overall improvement in air quality in recent years, parts of Manchester are still exceeding the legal limits for nitrogen dioxide (NO_2). The Greater Manchester Clean Air Plan Outline Business Case was submitted to the Government in March 2019. It proposes a package of measures that will deliver compliance across Greater Manchester, including a charging Clean Air Zone targeting the most polluting commercial vehicles, funds to provide financial support for the upgrade of non-compliant vehicles to support local businesses, taxis and buses, and investment in an additional 600 Electric Vehicle charging points. A Full Business Case is being developed for approval by the 10 Greater Manchester Local Authorities and, subject to Government approval, it is anticipated that funding measures would be available from 2020, with the Clean Air Zone being introduced from 2021.

3.29 Our Corporate Plan priorities have been refreshed for 2020-21 to reflect the city's zero carbon ambitions and declaration of the climate emergency, the launch of the local industrial strategy for the city, the headlines from the 2019 State of the City report, and the planning for internal transformation.

3.30 Our Corporate Plan priorities going forward are, in no particular order of importance:

Theme	Priority
Zero carbon Manchester *Lead delivery of the target for Manchester to become a zero carbon city by 2038 at the latest, with the city's future emissions limited to 15 million tonnes of carbon dioxide*	• Work with the Manchester Climate Change Agency to develop a full action plan for the city by March 2020, setting out how the ambition will be met
	• Ensure activities are delivered to reduce the Council's own direct emissions as part of this plan
	• Contribute to improvements in air quality across Manchester required in the Clean Air Plan
Young people *From day one, support Manchester's children to be safe, happy, healthy and successful, fulfilling their potential, and making sure they attend a school graded 'good' or better*	• Ensure all children have high-quality education
	• Support more Manchester children to have the best possible start in life and be ready for school and adulthood
	• Reduce the number of children needing a statutory service.
	• Reduce the number of children growing up in family poverty
Healthy, cared-for people *Work with partners to enable people to be healthy and well. Support those who need it most, working with them to improve their lives*	• Support Mancunians to be healthy, well and safe
	• Improve health and reduce demand by integrating neighbourhood teams that are connected to other services and assets locally, delivering new models of care.
	• Reduce the number of people becoming homeless and enable better housing and better outcomes for those who are homeless.
Housing *Ensure delivery of the right mix of good-quality housing so that Mancunians have a good choice of quality homes*	• Accelerate and sustain delivery of more housing
	• Ensure the provision of enough safe, secure and affordable housing for those on low and average incomes
Neighbourhoods *Work with our city's communities to create and maintain clean and vibrant neighbourhoods that Mancunians can be proud of*	• Enable clean, safe, vibrant neighbourhoods
Connections *Connect Manchester people and places through good-*	• Improve public transport and highways, and make them more sustainable

quality roads, sustainable transport and better digital networks	● Facilitate the development of the city's digital infrastructure, to enable delivery of transformed public services and support a thriving digital economy.
Growth that benefits everyone *Boost the city's productivity and create a more inclusive economy that all residents can participate in and benefit from, and contributing to reductions in family poverty, as set out in the Our Manchester Industrial Strategy*	● Support good-quality job creation for residents, and effective pathways into those jobs.
	● Facilitate economic growth of the city
Well-managed council *Support our people to be the best and make the most of our resources*	● Enable our workforce to be the best they can be through the Our People Strategy and Our Manchester behaviours
	● Effectively plan our future budgets and balance our current budget, delivering savings, transformation of the organisation, reductions in demand through reform, and generating income

4 Financial Context

4.1 The budget for 2020/21 is being set in a period of austerity which began with the 2011/12 Budget. The Local Government Association has calculated that by 2020 Local Government will have delivered £16bn in savings to the Treasury, whilst also absorbing inflationary increases, maintaining the delivery of services to communities and facing increasing Social Care demands. Between 2010/11 to 2019/20 the Council's Spending Power (as defined by government) has reduced by £179m (29%) compared to an England average reduction of 16%. This has resulted in required budget cuts of £372m from 2010/11 to 2019/20 inclusive, after taking into account inflation and rising demand, and a reduction of almost 4,000 full time equivalent staff (around 40% of the workforce). Recent years' cuts have been less severe but local government spending is still much lower in real-terms than it was in 2010.

Table One: Savings requirement

	2011/12 £m	2012/13 £m	2013/14 £m	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	**Total £m**
Savings Planned	107	61	36	30	55	26	17	25	15	**372**

4.2 In order to become more resilient and self-reliant the Council has had to maximise the revenues available to it including the below:

- Manchester has been a business rates growth retention and 100%

retention pilot. The latter means that the Council retains 100% of the additional business rates growth achieved during the 3 year pilot period 2017 - 20. Additional retained growth was £10.4m in 2017/18, £9.8m in 2018/19 and is estimated at £8.7m in 2019/20. Additionally there was a £6m return from GMCA in 2018/19, and a further £4.8m is proposed for 2019/20, subject to GMCA approval at its meeting on 14 February, which has been made available to support the budget over the next two years. It has been confirmed the pilot will continue for 2020/21.

- The Council's commercial investments have generated dividend income of £71m in 2019/20 (predominantly but not exclusively from the Airport), and net income from the commercial estate of c£12m per annum, both of which are supporting the revenue budget. Proceeds from loans to the airport advanced in 2018/19 are contributing a net £5m each year to support capital financing costs.

- The success in encouraging housing growth, particularly in the City Centre, has seen an average growth in the council tax base of over 3% for the past 5 years. Over 60% of the new city centre housing is at a council tax band of C or above compared with 20% in the rest of the city, contributing to increasing the council tax base which is essential to the longer term financial sustainability of the Council.

Update of the 2020/21 Budget

4.3 Despite the pressures being faced the Council remains determined to deliver the agreed priorities for Manchester. The budget is not just about how to manage within available resources but also on where funding should be invested to deliver on resident priorities and working with partners to jointly develop new ways of delivering services such as prevention and early help, giving families strengths and self-reliance so they will benefit from greater self-determination and improved life chances - and in so doing reducing the need for more costly support in the future. The difficult balance has to be maintained between protecting investment to generate growth (and grow the revenues available to the Council), provide high quality universal services and to protect the most vulnerable.

4.4 The report to Executive in January 2020 set out the current budget position based on officer proposals to balance the budget which went through the January Scrutiny Committee process, updated for the Final Local Government Finance Settlement received 6 February 2020. The proposals included net savings of £2.8 m in 2020/21 identified in the Corporate Core, Neighbourhood Services and Growth and Development, all of which has in effect gone to support increased costs in Adult Care, Children's Services and Homelessness support. These are being found through a combination of efficiencies, income generation and innovation and should not impact on frontline services to residents.

4.5 The proposals would enable a balanced budget to be achieved for 2020/21, as shown in the table below.

Table Two: Budget Position 2019/20 (Latest) and 2020/21 (Proposed)

	2019/20 Original £000	2019/20 Revised £000	2020/21 Proposed £000
Resources Available			
Business Rates Related Funding	314,653	314,653	339,547
Council Tax	166,507	166,507	174,465
Other non ring fenced Grants	54,426	65,752	66,717
Dividends and Use of Airport Reserve	62,390	62,390	62,890
Use of other Reserves	12,859	12,859	21,481
Total Resources Available	**610,835**	**622,161**	**665,100**
Resources Required			
Corporate Costs			
Levies / Statutory Charge	69,990	69,990	71,327
Contingency	1,600	850	860
Capital Financing	44,507	44,507	44,507
Transfer to Reserves	7,067	18,393	18,338
Subtotal Corporate Costs	***123,164***	***133,740***	***135,032***
Directorate Costs			
Additional Allowances and other pension costs	10,030	10,030	9,580
Insurance Costs	2,004	2,004	2,004
Inflationary Pressures and budgets to be allocated	9,945	1,764	10,271
Directorate Budgets	465,692	474,623	508,213
Subtotal Directorate Costs	***487,671***	***488,421***	***530,068***
Total Resources Required	**610,835**	**622,161**	**665,100**
Shortfall / (surplus)	**0**	**0**	**0**

4.6 The full detail of the Council's budget is set out in the following reports which are also on the agenda:

- The Medium Term Financial Plan (MTFP)
- Budget Reports (Children and Education Services; Adult Social Care and Population Health; Homelessness; Neighbourhood Services; Growth and Development; and the Corporate Core)
- Capital Strategy and Budget
- Housing Revenue Account
- Dedicated Schools Grant

- Treasury Management Strategy and Annual Investment Strategy
- The Single Council Business Plan

4.7 The table below shows which scrutiny committees have considered which scrutiny business plans. The reports have been tailored to the remit of each scrutiny as shown in the table below.

Table Four: Scrutiny Reports

Date	Meeting	Budget Paper
	Resources and Governance Scrutiny Committee	Report covering the Corporate Core and the relevant parts of Growth and Development Directorate (Operational and Investment estate and facilities management)
	Health Scrutiny Committee	Adult Social Care and Population Health This is supplemented by: ● Draft MHCC Plan on Page, Joint Budget Report 2020/21 and refreshed Manchester Locality Plan ● Summary of draft MLCO Operating Plan 2020/21
5 February	Children and Young People Scrutiny Committee	Children and Education Services
5 February	Neighbourhoods and Environment Scrutiny Committee	Report covering Neighbourhoods and Relevant services from Growth and Development (Housing and Residential growth)
		Homelessness report
6 February	Economy Scrutiny Committee	Report covering Growth and Development and the relevant parts of Neighbourhoods (Business Units) and Housing and Residential growth
6 February	Communities and Equalities Scrutiny Committee	Report covering Neighbourhoods

Budget Beyond 2020/21

4.8 There is no certainty over either the quantum or distribution of local government funding after 2020/21. In 2020 the Government plans to carry out a multi-year Spending Review, there is no detail on the timeline and process. The Spending Review sets the quantum of funding available for local government whilst the Finance Settlement sets out the distribution to individual local authorities. On 7 January 2020 Local Government Minister said the Spending Review will not just settle the amount of resources available to local government over the period and the approach to distributing these, but also important related questions including:

- which programmes are the most effective in delivering outcomes for local communities
- how to balance resources for mainstream programmes with much-needed investment in prevention
- what is the best approach to incentivising local housing supply and economic growth. Government have already committed to reform of the New Homes Bonus
- how to provide the certainty to support investment in improving services
- how best to support local authorities to improve; helping them become more efficient and transform services around the needs of local people.

4.9 Alongside the Spending Review the Government has reiterated its intention to carry out several reforms to the local government finance system which were due to be implemented in April 2020, the government is now aiming to implement these reforms in 2021/22. This includes:

- Introducing reforms to the administration of the business rates system, with the intention of increasing stability and certainty. This is intended to remove the volatility of appeals from Local Authorities.
- Increasing the proportion of business rates retained by the sector nationally from 50% to 75% to incentivise growth and investment in local economies. Manchester is part of the Greater Manchester pilot retaining 100% locally for the four year period 2017-21. It is likely that this pilot will end in 2021/22 and the baseline for growth will be reset. This could result in a loss of income, depending on the formula used to redistribute growth and any transition arrangements.
- Fair Funding Review - Reviewing the funding formula that determines settlement funding allocations for each local authority, including an updated assessment of relative needs and resources. Funding will largely be comprised of retained business rates and either a government top up is received or a surplus of business rates is paid back for redistribution based on the formula. Of concern is the suggestion the current use of deprivation factors to allocate funding may be reduced. This is a key driver of spend and Manchester will be significantly disadvantaged if this goes ahead. The government will be releasing further consultation and some exemplifications to allow dialogue on technical issues. On 24 January 2020 the Local Government Association released an exemplification for adult social care funding based research by the Personal Social Services Research Unit (PSSR); and which is expected to inform the individual Local

Authority allocations. This calculation has been widely reported and shows a potential reduction in funding of c14% overall for Manchester. At 2018/19 national spend levels (on which the exemplification is based) this would equate to a cut of around £22m, though it is noted the weighting of Adults in the 2021/22 formula is yet to be determined. It is recognised that this is just one element of the overall funding envelope for Local Government, but nevertheless is very concerning for Manchester. It is expected that there will be time limited transition funding. However, at this stage, the Government is yet to announce its formal proposals.

4.10 Other national risks to the future funding position include:

- The economic and service impact of Brexit following the trade agreement and new partnership with the EU, expected to be in place by the end of December 2020.
- Sustainable funding solution for adult social care - There is no clear indication of the government's plans other than a Queens Speech commitment to a long term solution that commands cross-party consensus. The social care funding streams which are at risk after 2020/21 are significant for Manchester and include £30.8m for the Improved Better Care Fund (incorporating Winter Pressures) and £17.6m Children's and Adults Social Care Support Grant. It is possible these grants will be rolled into the Local Government Settlement however if this is the case they are likely to be allocated on the new funding formulas which brings its own risk, as per the previous paragraph.
- Business Rates Reform - On 7 January 2020 the Local Government Minister reiterated the government commitment to carrying out a fundamental review of the business rates tax. Local government perspectives will be considered in the review including how business rates income is used and how it meets Councils' funding needs. The timeline for this review is not yet known.

5 Budget Calculations: report on robustness of estimates and adequacy of proposed financial reserves

5.1 Section 25 of the Local Government Act 2003 requires that when a local authority is making its budget calculations, the Chief Finance Officer ('CFO') of the authority must report to the Council on the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves. The Council has a statutory duty to have regard to the CFO's report when making decisions about the calculations. The Council's CFO's report in relation to the robustness of the estimates and adequacy of the reserves is set out below.

Robustness of the Estimates

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

5.3 The future uncertainty regarding future funding for local authorities makes a robust and evidenced assessment of financial governance and future resilience critical. The CFO has examined the major assumptions used within the budget calculations and has carried out sensitivity analysis to ascertain the levels of potential risk in the assumptions being used. The key risks identified to the delivery of a balanced budget and their mitigation are set out in the table below.

Risk	Mitigation
Non Delivery of Savings	A detailed review of social care related savings which were not delivered in 2019/20 and the impact for 2020/21 has been carried out with revised proposals contained within the budget. As outlined above robust monitoring arrangements are in place to enable early corrective action to be taken. Such action in 2019/20 has successfully reduced the overspend position.
Increasing demand for social care, impact welfare reforms and rising homelessness is higher than budget assumptions	Additional government funding of c£13m in 2020/21 for Social Care and Council resources have been used to provide more funding in these areas based on a reassessment of demand. Funding received in 2019/20 has been smoothed over three years with a reserve to cover future demand.
Volatility of resource base including business rates	As the Council becomes more reliant on locally raised resources and commercial income it is more susceptible to any downturn in the economy. To mitigate the risk the majority of the airport dividend is used a year in arrears and a business rates reserve has been established. The position on all these income streams is closely reviewed each month and reported to the Senior Management Team and Executive Members.
Delivery of a balanced budget beyond 2020/21	Longer term scenario planning has started to address the uncertainty beyond 2020/21. In addition, the 2019/20 budget established specific reserves to fund social care over a three year period, to avoid cliff edges and provide time to plan dependant on the outcome of the national funding changes and BREXIT impact. It is expected that changes to the financial settlement will be supported through transition funding to avoid significant annual reductions.

Impact of Brexit	The potential effects of Brexit on the Council are currently un-quantified but could impact on revenue budgets, capital projects, treasury management and the pension scheme. As the risks associated with BREXIT are so difficult to quantify the approach, in line with a number of local authorities is to build up the level of the business rates reserve and protect the level of the General Fund reserve to help mitigate any adverse impact. More detailed planning and risk assessments for the different scenarios are being carried out within GM and Manchester.
Overspend on significant capital projects	The Capital Strategy has been developed to ensure that the Council can take capital expenditure and investment decisions in line with Council priorities and properly take account of stewardship, value for money, prudence, risk, sustainability and affordability. There are strong governance arrangements underpinning the decision making process, all capital investment decisions have a robust business plan that set out any expected financial return alongside risk and deliverability implications. The capital programme is monitored monthly, with quarterly reports to Executive. There are specific programme and risk management arrangements in place to assess individual projects and to oversee their completion. The Strategic Capital Board receives monthly updates from each directorate board on each board's part of the capital programme, detailing financial forecasts, risks, and expected outcomes. By reviewing projects regularly, such monitoring can be used to support future actions, including the estimation of future costs and mitigations as necessary.

5.4 The Council has a well developed corporate risk register and a financial risk register that is reviewed monthly. Each Service Head has carried out an individual risk assessment of their budgets incorporated into the Risk Registers contained within the Business Plans.

5.5 It is the opinion of the CFO that any significant budget risks to the General Fund and the Housing Revenue Account have been identified and that suitable proposals are being put in place to mitigate against these risks where possible. The Council's Budget Monitoring procedures are now well embedded and are designed to specifically monitor high level risks and volatile budgets. An assessment of anticipated business rates income has been carried out based on the information available and provision has been made for outstanding appeals. There is considered to be a prudent provision.

5.6 The CFO considers that the assumptions on which the budget have been proposed whilst challenging are manageable within the flexibility allowed by the General Fund balance. This and the fact that the Council holds other reserves that can be called on if necessary means that the CFO is confident that overall the budget position of the Council can be sustained within the overall level of resources available. However, to the degree that the budget savings are not achieved in a timely manner and reserves are called on to achieve a balanced position, further savings will need to be identified and implemented in order to ensure the Council's future financial stability is maintained.

5.7 The Council needs to be satisfied that it can continue to meet its statutory duties and meet the needs of vulnerable young people and adults. Proposals have been drawn up on the basis that Strategic Directors are satisfied that this will enable them to continue to meet their statutory duties and the needs of the most vulnerable.

Adequacy of the proposed Financial Reserves

5.8 The General Fund Reserve is held to meet costs arising from any unplanned event. It also acts as a financial buffer to help mitigate against the financial risks the Council faces and can be used to a limited degree to "smooth" expenditure across years. It is currently estimated that the balance on the reserve at 1 April 2020 will be £21.4m based on monitoring to end of December. The level of the un-earmarked General Fund reserve held has been risk assessed by the CFO and is felt to be prudent given the level of volatility in Council funding streams such as business rates and general uncertainty over the levels of funding available going forwards. There are a number of risks as set out in previously in paragraph 5.3.

5.9 The expected level of the General Reserve is therefore seen as the minimum level required to be held to protect the Council from the financial risks inherent within the proposed budget strategy. Any variation in spend at the year's outturn will also affect the level of General Fund Reserve available next year. The Deputy Chief Executive and CFO feels it would be prudent in light of the higher level of risk being faced by the Council going forward that the reserve should be maintained at this level.

5.10 The Council also has a number of Earmarked Reserves which are detailed in the 2020/21 budget report elsewhere on the agenda. They have a 2019/20 opening balance of £439m, of which £107m relates to the HRA and £19m to Schools. The level of reserves required is robustly assessed as part of the budget setting process. Monitoring of these reserves takes place through the monthly reporting process to Senior Managers and Members during the financial year and at the year-end as part of the closure of accounts. Based on the numbers alone it appears the Council is at the more resilient end of the reserve spectrum, however there are considerable risks within this position. The Council is an extremely complex organisation with a wide scale and diversity of assets, interests, liabilities and other responsibilities. By their nature many of the risks are unknown and cannot be quantified, particularly in the current challenging financial climate. It is therefore essential that the Council maintains adequate general reserves.

6 Fiduciary and Statutory Considerations

6.1 In setting the budget the Council has a duty to ensure:

- it continues to meet its statutory duties
- Governance processes are robust and support effective decision making
- its Medium Term Financial Strategy reflects the significant challenges being faced and remains responsive to the uncertainties in the economy by continuing to deliver against its savings targets
- its savings plans are clearly communicated and linked to specific policy decisions, with the impact on service provision clearly articulated
- it has the appropriate levels of reserves and that it closely monitors its liquidity to underpin its financial resilience
- it continues to provide support to members and officers responsible for managing budgets
- it prepares its annual statement of accounts in an accurate and timely manner

6.2 In coming to decisions in relation to the revenue budget and council tax the Council has various legal and fiduciary duties. The Council is required by the Local Government Finance Act 1992 to make specific estimates of gross revenue expenditure and anticipated income leading to the calculation of the council tax requirement and the setting of the overall budget and council tax. The amount of the council tax requirement must be sufficient to meet the Council’s legal and financial commitments, ensure the proper discharge of its statutory duties and lead to a balanced budget.

6.3 In exercising its fiduciary duty the Council should be satisfied that the proposals put forward are a prudent use of the Authority’s resources in both the short and long term; that the proposals strike a fair balance between the interests of Council taxpayers and ratepayers on the one hand and the community’s interests in adequate and efficient services on the other; and that they are acting in good faith for the benefit of the community whilst complying with all statutory duties. Officers have addressed the duty to strike a fair balance between the different elements of the community and the interests of council tax and business rate payers in developing the proposals which are set out in the Directorate reports.

6.4 Section 25 of the Local Government Act 2003 requires that when a local authority is making its budget calculations, the Chief Finance Officer (‘CFO’) of the authority must report to the Council on:.

(a) the robustness of the estimates made for the purposes of the calculations; and
(b) the adequacy of the proposed financial reserves.

6.5 The Council has a statutory duty to have regard to the CFO's report when making decisions about the calculations.

6.6 Section 28 of the Local Government Act 2003 also imposes a statutory duty on the Council to monitor during the financial year its expenditure and income against the budget calculations. If the monitoring establishes that the budgetary situation has deteriorated, the Council must take such action as it considers necessary to deal with the situation. This might include, for instance, action to reduce spending in the rest of the year, or to increase income, or to finance the shortfall from reserves.

6.7 Under Section 114 of the Local Government Finance Act 1988, where it appears to the CFO that the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure, the CFO has a duty to make a report to the Council.

6.8 The report must be sent to the Council's External Auditor and every member of the Council and the Council must consider the report within 21 days at a meeting where it must decide whether it agrees or disagrees with the views contained in the report and what action (if any) it proposes to take in consequence of it. In the intervening period between the sending of the report and the meeting which considers it, the authority is prohibited from entering into any new agreement which may involve the incurring of expenditure (at any time) by the authority, except in certain limited circumstances where expenditure can be authorised by the CFO. Failure to take appropriate action in response to such a report may lead to the intervention of the Council's Auditor. Following well publicised difficult financial positions of some local authorities there is a growing scrutiny of the financial position of individual local authorities.

Equalities Duties

6.9 In considering the budget for 2020/21 the Council must also consider its ongoing duties under the Equality Act 2010 to have due regard to the need to eliminate discrimination and advance equality of opportunity between all irrespective of whether they fall into a protected category such as race, gender, religion, etc. Having due regard to these duties does not mean that the Council has an absolute obligation to eliminate discrimination but that it must consider how its decisions will contribute towards meeting the duties in the light of all other relevant circumstances such as economic and practical considerations.

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

7 Financial Governance

Leadership and Governance

7.1 The Council's governance arrangements are set out in full in the Annual Governance Statement. Arrangements for revenue and capital budget planning, monitoring and delivery are believed to be robust. The Council complies in full with the requirements set out in the CIPFA Statement on the role of the Chief Finance Officer. The S151 duties lie with the CFO who is also the Deputy Chief Executive, is a full member of the Senior Management Team and fully involved in the Council's governance and decision making processes.

Assessment of value for money in the delivery of services

7.2 The Council's external auditors are required to provide a Value for Money conclusion following the guidance issued by the National Audit Office November 2017 which specified the criteria for auditors to evaluate. The external auditors were satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019. An unqualified Value for Money conclusion was issued.

Financial Management Code

7.3 The Financial Management Code (FM Code) sets out the standards of financial management expected for local authorities and is designed to support good practice and to assist local authorities in demonstrating their financial sustainability. The Code builds on established CIPFA Prudential and Treasury Management Codes which require local authorities to demonstrate the long-term financial sustainability of their capital expenditure, associated borrowing and investments. The FM Code was launched in 2019 to be implemented from April 2020 with the commencement of a shadow year. It is expected that by 31 March 2021 Local Authorities can demonstrate that they are working towards full implementation of the code with the first full year of compliance being 2021/22.

7.4 Demonstrating this compliance with the FM Code is a collective responsibility of elected members, the CFO and their professional colleagues in the leadership team. It is for all the Senior Management Team to work with elected members in ensuring compliance with the FM Code and so demonstrate the standard of financial management to be expected of a local authority.

7.5 The FM Code applies a principle-based approach. It requires that a local authority demonstrates that its processes satisfy the principles of good financial management for an authority of its size, responsibilities and circumstances. The principles are:

- Organisational **leadership** – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture.
- Accountability – based on medium-term financial planning that drives the annual budget process supported by effective risk management,

quality supporting data and whole life costs.
- Financial management is undertaken with transparency at its core using consistent, meaningful and understandable data, reported frequently with evidence of periodic officer action and elected member decision making.
- Adherence to professional standards is promoted by the leadership team and is evidenced.
- Sources of assurance are recognised as an effective tool mainstreamed into financial management, including political scrutiny and the results of external audit, internal audit and inspection.
- The long-term sustainability of local services is at the heart of all financial management processes and is evidenced by prudent use of public resources.

7.6 The Code is structured over seven sections as shown below:
Section 1: The responsibilities of the chief finance officer and leadership team
Section 2: Governance and financial management style
Section 3: Long to medium-term financial management
Section 4: The annual budget
Section 5: Stakeholder engagement and business plans
Section 6: Monitoring financial performance
Section 7: External financial reporting

7.7 Section Three of the code is particularly important as it covers the need for a long-term approach to the evaluation of financial sustainability, recognising that short-termism runs counter to both sound financial management and sound governance. The following paragraphs set out the Financial Management standards in this area and demonstrate how the Council will meet requirements.

7.8 *Standard F - The authority has carried out a credible and transparent financial resilience assessment* - The CIPFA Financial Resilience Index has been developed to help organisations identify pressure points. It contains nine measures of financial sustainability to reflect risk including three which assess the adequacy of reserve levels, level of debt, interest payable, size of council tax base, level of business rates growth above baseline, fees and charges ratio and % budget spent on social care. The results show the Council to be relatively well placed on reserves and in a reasonably comfortable mid position on the others. The only ratio classed as high risk relates to the low council tax base which is well understood. This is mitigated by attempts to grow other income streams and highlighting the importance of council tax equalisation in all funding discussions and consultation with the government.

7.9 The index is not intended to represent the entire story on the financial sustainability of a Local Authority but provides some indicators of potential risk. In addition The CFOhas examined the major assumptions used within the budget calculations and associated risks as reported at paragraphs 5.3 to 5.7.

7.10 *Standard G - The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members.* - This is demonstrated by the Section 25 statement within this report.

7.11 *Standard H -The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities* - as detailed in the Capital and Treasury Management Strategies the Council is compliant with the requirements of the Prudential Code. This includes information based on the proposed revenue and capital budgets, such as authorised and operational boundaries for debt and the maturity structure of the Council's borrowing. The Council takes a highly prudent approach to investments, both treasury and otherwise, with a view to minimising risk. External advice is taken on investments as required and the Council does not normally make strategic investments outside of the local authority boundary.

7.12 *Standard I - The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans.* It is recommended best practice that Local Authorities have a longer term strategy for financial resilience and a multi year financial plan. Whilst the suite of budget reports only cover 2020/21 to align with the central government one year Spending Round and Finance Settlement effective arrangements are in place to facilitate longer term financial planning including:

i. Five year Capital Strategy (and financing arrangements) and asset management plans Five year reserve strategy with three years published in the MTFP
ii. Financial and scenario planning over the next spending review period
iii. Three-year Children's and Adults investment proposals for the use of additional one off funding received in 2019/20.

7.13 Sustainable Service Plans have been produced over the Life of the MTFP including tracking delivery and an assessment of success in delivery of savings - Directorates have put forward additional savings proposals in the scrutiny budget reports. The total savings identified for 2021/22 are £7.463m of which £4.626m will be retained within directorates to support the realignment of budgets to mitigate identified pressures. The balance of £2.837m supporting the balanced budget position 2020/21. Officers have satisfied themselves with the robustness of the planned reductions and their broad deliverability. A detailed risk rated savings tracker is produced and monitored monthly and progress discussed at monthly Departmental Monitoring Meetings and Senior Management Team (SMT) at its monthly budget focussed meeting. Updates are also provided monthly to Executive Members. The quarterly Integrated Monitoring to SMT also includes an assessment of the key financial risks and mitigations. For the areas within its remit the Manchester Health and Social Care Commissioning Board and Management Team have a detailed process to agree business plans and monitor progress on the delivery of savings which is also tracked on a monthly basis.

7.14 In 2019/20 24% of savings were considered high risk in terms of deliverability. These related to Children's, Homelessness and Adult services and have been reassessed as part of the 2020/21 budget setting process. Full details are contained within the scrutiny budget reports.

7.15 Section Four of the code requires that *'the authority complies with its statutory obligations in respect of the budget setting process'* and *'the budget report includes a statement by the chief finance officer on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves'.* This is demonstrated by the Section 25 statement within this report.

7.16 Section Five requires that *'The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget'.* The priorities for the City are set out in the 'Our Manchester' Strategy, the long-term vision for the city. The underpinning principles of the budget strategy have been developed to reflect The Our Manchester ten year ambitions. The proposed 2020/21 budget continues to reflect the priorities identified in the three-year budget strategy (originally 2017-20) which was subject to extensive consultation with residents about what matters most to them.

7.17 The second standard within this section is *'The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.'* The Council undertakes VFM analysis which includes annual benchmarking of outcomes and unit costs against authorities with defined similar characteristics. This highlights areas of strength for Manchester as well as similar authorities which have better outcomes for lower spend in certain areas. These instances provide scope for more detailed investigation in conjunction with the Service concerned and improvements to be identified where required. Additionally the governance process for investment and funding decisions for the Council's capital programme requires a clear and detailed business case for any proposed investment, which must explain the benefits of the project to the organisation, both financial and otherwise, alongside the funding requirement. This allows senior officers and members to make decisions on proposals based on value for money and other concerns, for example statutory requirements.

Budget Scrutiny

7.18 The Scrutiny Committee meetings on the 4-6 February 2020 will review the budget proposals within their remit. Resources and Governance Scrutiny Committee will meet on 24 February 2020 to look at the overall budget proposals and receive comments from other scrutiny committees prior to the Budget going to Budget Council 6 March.

8 Conclusion

8.1 The last few years have been challenging for the Council given the high proportion of cuts which have had to be made to the Council's budget at a time when the demand for services such as Children and Adults Social Care have been rising. This has been exacerbated by the disproportionate level of funding reductions the Council has taken.

8.2 Manchester continues to lead the way in terms of transformation, delivering efficient services and creating the conditions for all of our communities to benefit from economic growth. The Council has maintained its reputation for innovation and reform through a number of key mechanisms:

- Using the commitment to social value to ensure communities see the benefit from investments. This has included commitments from suppliers to employ staff who live locally, no use of zero hours contracts and agreements to reduce energy consumption and carbon emissions in the City.
- Working alongside partners in the Greater Manchester Combined Authority the Council has worked hard to make the most of the opportunities to focus on local priorities through the Spatial Framework, Local Industrial Strategy, digital opportunities and in tackling homelessness.
- focused on doing things differently for example developing the population modelling toolkit, creating a more meaningful definition of affordability to support the emerging Local Plan and Housing Strategy and supporting the implementation of the Manchester Living Wage across supply chains.
- Continuing with the integration of public services to improve the offer to residents. The benefits are already being seen of the approach to integrating health and social care through improvements in the number of years men in the city can expect to live in good health.

8.3 This set of budget and business plans is a continuation of commitment to the delivery of the Our Manchester Strategy and how it has been used as a framework for prioritising the deployment of resources.

Manchester City Council
Report for Resolution

Report to: Executive – 12 February 2020
Resources and Governance Scrutiny – 24 February 2020
Council – 6 March 2020

Subject: Treasury Management Strategy Statement 2020/21, including Borrowing Limits and Annual Investment Strategy

Report of: Deputy Chief Executive and City Treasurer

Summary

To set out the proposed Treasury Management Strategy Statement and Borrowing Limits for 2020/21 and Prudential Indicators for 2020/21 to 2022/23.

Recommendations

The Executive is requested to:

1. Recommend the report to Council.

2. Delegate authority to the Deputy Chief Executive and City Treasurer, in consultation with the Executive Member for Finance and Human Resources, to:
   - approve changes to the borrowing figures as a result of changes to the Council's Capital or Revenue budget; and
   - submit these changes to Council.

The Resource and Governance Scrutiny Committee is requested to:

1. Recommend the report to Council.

The Council is requested to:

1. Approve the proposed Treasury Management Strategy Statement, in particular the:

   - Borrowing Requirement listed in Section 7 of this report;
   - Borrowing Strategy outlined in Section 10;
   - Annual Investment Strategy detailed in Section 11;
   - Prudential and Treasury Indicators listed in Appendix A;
   - MRP Strategy outlined in Appendix B;
   - Treasury Management Policy Statement at Appendix C; and
   - Treasury Management Scheme of Delegation at Appendix D

2. Delegate to the Deputy Chief Executive and City Treasurer, in consultation with the Executive Member for Finance and Human Resources, the power 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.

Wards Affected - All

Environmental Impact Assessment - the impact of the decisions proposed in this report on achieving the zero-carbon target for the city
Treasury Management activity underpins the Council's finances, and therefore supports projects and initiatives which seek to achieve the Council's zero carbon target.

Our Manchester Strategy outcomes	**Contribution to the strategy**
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	The Treasury Management function supports the whole Council by seeking to ensure that funding is available when required, to fund all of the work that the Council undertakes. Therefore, whilst not directly contributing to the strategic aims, the Council's treasury management activity underpins the work taking place elsewhere to achieve the outcomes.
A highly skilled city: world class and home grown talent sustaining the city's economic success	
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	
A liveable and low carbon city: a destination of choice to live, visit, work	
A connected city: world class infrastructure and connectivity to drive growth	

Full details are in the body of the report, along with any implications for

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

The capital financing budget forms a key part of the Council's revenue budget. The activity forecast in this report is affordable within the existing and future capital financing budget, including use of the capital financing reserve.

Financial Consequences – Capital

None – the Council's treasury management activity is by definition not capital expenditure.

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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. **Introduction**

1.1 The Treasury Management Strategy Statement sets out the risk framework under which the Council's treasury management function will operate. By detailing the investment and debt instruments to be used during the year the Strategy details the risk appetite of the Authority and how those risks will be managed.

1.2 The Treasury Management Strategy Statement is linked to the Capital Strategy, in that both documents detail the risks that the Council face, but critically the Treasury Management Strategy Statement is focussed on the risks associated with the management of the Council's cash flow and debt, whereas the Capital Strategy looks at capital investment and expenditure decisions.

1.3 The capital budget contains significant priorities for the Council, such as the refurbishment of the Town Hall, which are to be funded from borrowing. This strategy details how decisions will be taken regarding new borrowing and that the over-arching principle is that the borrowing provides value for money for the Council in whatever form it takes. Capital investment decisions are made in line with the economic and regeneration objectives for the city and to support delivery of the agreed capital strategy.

1.4 For treasury management investments the Council holds security and liquidity as paramount. This strategy proposes the use of investment types aimed at ensuring that funds are kept secure and that the Council has access to funds when they are required.

1.5 The work of the Council's treasury management function is impacted by market conditions and there are significant economic changes, such as Britain leaving the European Union, which create uncertainty in the market. The strategy has been drafted to provide flexibility to manage the risks associated with uncertainties such as interest rate or liquidity challenges.

Treasury Management Strategy for 2020/21

1.6 The suggested strategy for 2020/21 is based upon the treasury officers' views on interest rates, supplemented with market forecasts provided by the Council's treasury advisor, Link Asset Services.

The strategy covers:

Section 1: Introduction
Section 2: CIPFA Definition of Treasury Management
Section 3: Statutory and other Requirements
Section 4: Treasury Limits and Prudential Indicators for 2020/21 to 2022/23
Section 5: Impact of 2012 HRA reform
Section 6: Current Portfolio Position
Section 7: Prospects for Interest Rates
Section 8: Borrowing Requirement
Section 9: Borrowing Strategy

2 CIPFA Definition of Treasury Management

2.1 Treasury management is defined by CIPFA as:
'The management of the local authority'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.'

3 Statutory and other requirements

Statutory requirements

3.1 The Local Government Act 2003 (the Act) and supporting regulations require the Council to 'have regard to' the Chartered Institute of Public Finance and Accountancy's (CIPFA) Prudential Code and the CIPFA Treasury Management Code of Practice to set Prudential and Treasury Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

3.2 The Act therefore requires the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy (as required by Investment Guidance subsequent to the Act and included as section 11 of this report); the Strategy sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.

3.3 The Department for Housing, Communities and Local Government (DHCLG) issued revised investment guidance which came into effect from the 1 April 2010. In 2017 the Department, now the Ministry of Housing Communities and Local Government (MHCLG) further updated its guidance on local government investments. CIPFA responded to these revisions by issuing an updated Code of Practice on Treasury Management and the Prudential Code in 2017. CIPFA also issued Public Services Guidance Notes in 2018 to support the changes made to the Codes.

CIPFA requirements

3.4 The CIPFA Code of Practice on Treasury Management has been adopted by the Council. This strategy has been prepared in accordance with the revised December 2017 Code.

3.5 The primary requirements of the Code are as follows:

a) Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities;
b) Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives;
c) Receipt by the full Council of an annual Treasury Management Strategy Statement, including the Annual Investment Strategy and Minimum Revenue Provision Policy for the year ahead, a Mid-year Review Report and an Annual Report covering activities during the previous year;
d) Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions;
e) Delegation by the Council of the role of responsible body for treasury management strategy and practices, budget consideration and approval, monitoring and selection of external service providers to a specific named body. For this Council the delegated body is the Audit Committee.
f) Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Council the delegated body is the Resource and Governance Scrutiny Committee.

3.6 The Council's adherence to the Prudential Code is monitored through the series of Prudential Indicators defined by CIPFA. Adherence to the CIPFA Prudential Code is a factor which informs the Council's investment policy. The legal status of the Treasury Management Code is derived in England and Wales from regulations issued under the Local Government Act 2003. This includes statutory guidance on Local Government investments issued under section 15(1) (a) of the Act.

Balanced Budget Requirement

3.7 It is a statutory requirement under Section 33 of the Local Government Finance Act 1992, revised under Section 31 of the Localism Bill 2011, for the Council to produce a balanced budget. In particular, Section 31 requires a local authority to calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This means that increases in capital expenditure must be limited to a level whereby increases in charges to revenue from:

- increases in interest charges caused by increased borrowing to finance additional capital expenditure; and

- increases in running costs from new capital projects

are limited to a level which is affordable within the projected income of the Council for the foreseeable future.

4 Prudential and Treasury Indicators for 2020/21 to 2022/23

4.1 It is a statutory duty under Section 3 of the Act and supporting regulations that the Council determines and keeps under review how much it can afford to borrow. This amount is termed the 'Affordable Borrowing Limit'. In England this Authorised Limit represents the legislative limit specified in the Act and is one of the key Prudential Indicators identified by the CIPFA Code.

4.2 The Council must have regard to the Prudential Code when setting the Authorised Limit which requires it to ensure that total capital investment remains within sustainable limits.

4.3 Whilst termed an Affordable Borrowing Limit, the capital plans incorporate financing by both external borrowing and other forms of liability such as credit arrangements. The Authorised Limit is to be set on a rolling basis for the forthcoming financial year and two successive financial years.

4.4 The full set of Treasury limits and Prudential Indicators recommended by the Code and used by the Council, together with their suggested levels for 2020/21 is noted in Appendix A of this report.

4.5 It should be noted that the Prudential and Treasury Indicators in this report may be subject to change dependent on decisions taken on the Capital and Revenue budgets which are reported elsewhere on this agenda.

5 The Housing Revenue Account – Impact of 2012 HRA Reform

5.1 The Local Government Finance and Housing Act 1989 requires Councils who own housing they rent out to tenants to separate all of the financial activities relating to the Council acting as landlord into a ring-fenced account known as the Housing Revenue Account (HRA). Due to the ring-fence it is illegal for the Council to subsidise any General Fund (GF) activity from its HRA and vice versa.

5.2 The Treasury Management Strategy for 2013/14 was the first to incorporate the split of the Council's debt portfolio following the HRA debt settlement of March 2012 which ended the subsidy arrangement. Details of how the split was calculated and the corresponding effect on treasury management activities are at Appendix I.

5.3 The treasury position of the Council will continue to be monitored at a Council level alongside the separate positions for the GF and the HRA. The HRA is also limited in terms of the treasury activity it can undertake as any temporary borrowing or investing it requires or long-term borrowing will be through the

GF. This ensures that the overall Council position is managed as effectively and efficiently as possible.

5.4 To reflect the fact that the HRA now has its own treasury position this report will mention where the HRA treasury strategy may be different to that of the GF. Where the Council strategy is mentioned this applies to both the GF and the HRA.

6 Current Portfolio Position

6.1 The forecast portfolio position for the end of the current financial year is shown below. Short term borrowing from the Greater Manchester Combined Authority (GMCA) relates to investments made by the City Council for the Housing Investment Fund which have not been novated across to the Combined Authority, and instead the GMCA is providing cash flow support to ensure that this ongoing arrangements remains cash neutral for the Council. Some of this debt relates to investments which have novated, and this will be cancelled rather than repaid – the accounting treatment for this is being discussed with external auditors, and the debt position unwound accordingly.

6.2 The Council's forecast treasury portfolio position at 31 March 2020 is:

Table 1	**Principal**			**Av Rate**
	GF £'m	HRA £'m	**Total £'m**	%
Long Term Borrowing				
PWLB	150.0	0.0	**150.0**	2.45
Market	336.8	61.9	**398.7**	4.48
Stock	0.9	0.0	**0.9**	4.00
SALIX	17.2	0.0	**17.2**	0.00
HCA	8.4	0.0	**8.4**	0.00
	513.3	61.9	**575.2**	
Short Term Borrowing				
GMCA – related to HIF	150.1	0.0	**150.1**	0.00
Other	4.5	0.0	**4.5**	1.15
	154.6	0.0	**154.6**	
Gross Debt	**667.9**	**61.9**	**729.8**	2.96
External Investments	(12.0)	0.0	**(12.0)**	0.70
Internal Balances (GF/HRA)	34.5	(34.5)	**0**	0.00
Net Debt	**690.4**	**27.4**	**717.8**	
Capital Financing Requirement			1,670.6	
Gross Debt			729.8	
Internal Borrowing			**940.8**	

6.3 The Capital Financing Requirement measures an Authority's underlying need to borrow or finance by other long-term liabilities for a capital purpose. It represents the amount of capital expenditure that has not yet been resourced absolutely, whether at the point of spend (by capital receipts, capital grants/contributions or from revenue income), or over the longer term by prudent Minimum Revenue Provision (MRP) or voluntary application of capital receipts for debt repayment etc. Alternatively it provides a figure for the capital expenditure incurred by the Council but not yet provided for.

6.4 The Capital Financing Requirement of the City Council as at 31 March 2020 is forecast to be c. £1,670.6m. The difference between this and the actual gross debt of the Council is c. £940.8m which is the amount of funding that the Council has internally borrowed, or has been funded through credit arrangements. This is a reflection of the Council's ongoing treasury strategy of using internal cash to reduce the amount of borrowing required rather than holding this cash as investments.

6.5 In the current environment where the rate of interest on investments is significantly lower than that on borrowing and there are substantial counterparty risks, this has been a prudent approach and has provided value for money for the Council. Internal cash refers to cash surpluses which arise from the timing of receipts and payments.

6.6 As part of the reform of the HRA, on the 28th March 2012 the then DHCLG repaid all of the Council's Public Works Loan Board (PWLB) debt which had been gradually reduced over recent years by various housing stock transfers. Subsequently the HRA debt portfolio consists almost exclusively of market debt, the majority of which are Lender Option Borrower Option (LOBO) loans which have long-term maturity dates. Whilst this provides some stability for the Council as LOBOs are unlikely to be called in the near future due to the current and forecast market environment, it does mean that when seeking to take new debt the Council should consider diversifying the portfolio, not least to ensure a wider range of maturity dates.

6.7 The portfolio at 31 March 2020 includes Council Stock with a value of £0.9m. This Stock debt is attributable to the irredeemable class of stock where stockholders have not taken up the Council's redemption offer made in 2017/18.

7 Prospects for Interest Rates

7.1 The Council has appointed Link Asset Services as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Appendix G draws together a number of current City forecasts for short term (Bank Rate) and longer fixed interest rates. The following gives Link's central view for interest rates at financial year ends (March):

- 2020: 0.75%
- 2021: 1.25%
- 2022: 1.50%

7.2 There is no certainty to these forecasts. A detailed view of the current economic background prepared by Link Asset Services is at Appendix F to this report.

7.3 The Council seeks to maintain a portfolio of debt and investments that is a mix of fixed and variable interest rates. Whilst fixed interest rates give the Council certainty, there is also a risk that prevailing market rates change and there are then opportunities to either increase the rate of return on investments or reduce the rate of interest on debt which could not be taken if the whole portfolio was fixed.

7.4 The Council's treasury management investments are classed as variable as the Council invests short term to enable the cash flow to be managed. In terms of debt, the Council has a significant portfolio of fixed rate debt, but as noted above a significant element of this is LOBO debt which means that there are risks that the interest rate on that debt could change. The Council monitors this position, including the likely use of the Lender Options, and will make future borrowing decisions with a view to keeping the debt portfolio balanced between fixed and variable debt.

8 Borrowing Requirement

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

Table 2	**2020/21 £'m estimate**	**2021/22 £'m estimate**	**2022/23 £'m estimate**
Planned Capital Expenditure funded by Borrowing	200.4	197.8	133.3
Change in Grants & Contributions	21.9	26.0	43.4
Change in Capital Receipts	(0.2)	(4.3)	(8.5)
Change in Reserves	27.5	27.7	14.8
MRP Provision	(26.6)	(30.9)	(33.3)
Refinancing of maturing debt (GF)	3.0	6.8	7.5
Refinancing of maturing debt (HRA)	0.0	0.5	0.8
Estimated Borrowing Requirement	**226.0**	**223.6**	**158.0**
Funded by:			
GF	226.0	223.1	157.2
HRA	0.0	0.5	0.8

9 Borrowing Strategy

General Fund

9.1 Following the HRA debt settlement in 2012 the Council's debt position is one of significant internal borrowing meaning cash backed reserves and provisions are being used in lieu of external debt. The external debt held is predominantly long term in nature.

9.2 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 suggests that the Council will need to undertake external borrowing in the future and will not be able on to rely on internal borrowing alone. Where possible, internal borrowing will remain the first option due to the interest savings generated.

9.3 To this aim, the Council's borrowing strategy will utilise the annual provision it is required to make to reduce debt, in the form of its Minimum Revenue Provision (MRP). If MRP is not used to reduce external debt it is held as cash so 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. Alternatively MRP could be used to repay existing debt but this would be at considerable cost in the current interest rate environment.

9.4 Beyond the forecast period for capital investment and matching to the same principles as above, a prudent strategy is to seek to borrow in the medium term with maturities to match the estimated MRP that is generated in the same period. This avoids an accumulation of cash on the Balance Sheet that would need to be invested at a potential net cost and investment risk to the Council.

9.5 The overall strategy is therefore for the Council to continue to use reserves and provisions to maximise internal borrowing whilst seeking to rebalance the portfolio with more medium term debt when there is a need to externally borrow. This must be done with a strong focus on achieving value for money on interest costs and balancing the risks to the overall debt portfolio.

HRA

9.6 The Council's proposed capital budget for 2020/21 and beyond does not contain any requirement for the HRA to borrow. It is expected that proposals will be brought forward that require funding via borrowing so it is likely the HRA will have a borrowing requirement in 2020/21. The level of borrowing affordable is restrained by the statutory requirement for the HRA Business Plan to avoid going into a deficit.

9.7 The impact of any required further long term borrowing on the Business Plan will be reviewed which will inform the borrowing options pursued. Any temporary borrowing required will be sought from the General Fund. This is discussed further in Appendix I.

9.8 Note, in the event that some of the current debt is required to be repaid, for example if one of the LOBO loans was called, the refinancing arrangements would need to be considered.

Borrowing Options

9.9 As stated above the Council's borrowing strategy will firstly utilise internal borrowing. However as the overall forecast is for long term borrowing rates to increase the short term advantage of internal and short term borrowing will be weighed against the potential cost if long term borrowing is delayed as rates for longer term loans are expected to increase.

9.10 New borrowing will be considered in the forms noted below. All options will be evaluated alongside their availability and which provides best value for money. The options below are not presented in a hierarchical order.

- **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 could spread debt maturities away from a concentration in longer dated debt and allow the Council to align maturities to MRP.
In October 2019 the Treasury increased all PWLB rates by 100 basis points, citing concerns regarding the increased levels of debt local authorities were requesting in the current low-rate market environment. This means that although PWLB remains a highly accessible form of debt finance, it may not provide value for money and other market options may be preferable.

The Link forecast for the PWLB Certainty Rate is as follows:

Table 3	**Mar 20**	**Jun 20**	**Sep 20**	**Dec 20**	**Mar 21**	**Mar 22**	**Mar 23**
	%						
Bank Rate	0.75	0.75	0.75	0.75	1.00	1.00	1.25
5 yr PWLB rate	2.40	2.40	2.50	2.50	2.60	2.90	3.20
10 yr PWLB rate	2.70	2.70	2.70	2.80	2.90	3.20	3.50
25 yr PWLB rate	3.30	3.40	3.40	3.50	3.60	3.90	4.10
50 yr PWLB rate	3.20	3.30	3.30	3.40	3.50	3.80	4.00

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

- **European Investment Bank (EIB)**

The EIB's rates for borrowing are generally favourable compared to PWLB although the margin of benefit has now reduced. Rates can be forward fixed for borrowing from the EIB and this option will be considered if the conditions can be met and it offers better value for money.
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.

- **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.

- **Homes and Communities Agency funding**

This is funding from Government and can only be used in specific circumstances. It 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 City Council is currently the accountable body for these funds, but decisions on how the funding should be used are made by the Greater Manchester Combined Authority. It is anticipated that the existing debt of this type held by the City Council, shown in the forecast portfolio earlier in this report, will be novated to the Combined Authority in 2020.

- **Inter-Local Authority advances**

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

- **Market Loans**

Following the increase in PWLB rates noted above, there has been a considerable increase in market activity relating to local authority debt. At the time of writing the report, the market is still developing and may take a couple of months to form and for debt pricing and structure to become clear.

It is anticipated that there will be a range of structures available, including forward starting loans.

- **Local Authority Bond Agency**

The UK Municipal Bonds Agency was established in June 2014 with the primary purpose of reducing local authority financing costs by:

- Issuing bonds in the capital markets and on-lending to councils.
- Lending between councils.
- Sourcing funding from 3rd party sources, and on-lending to councils.

Although the Agency's aim is to raise finance for Local Authorities by issuing municipal bonds to capital markets, at the time of writing the first bond has yet to be issued. The Council will continue to monitor the Agency's development and whether it can offer a competitive option for future borrowing.

9.11 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.

9.12 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 that the Council's current LOBO loans are unlikely to be called in the medium term at current interest rates.

Sensitivity of the forecast

9.13 In normal circumstances the main sensitivities are likely to be the two scenarios noted below. Council officers in conjunction with the treasury advisors will continually monitor 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 remain relatively cheap.

External v. Internal borrowing

9.14 The current borrowing position reflects the historic strong Balance Sheet of the Council as highlighted in Section 6. The policy remains to keep cash as low as possible and minimise temporary investments.

9.15 The next financial year is again expected to be one of historically low Bank Rate. This provides a continuation of the opportunity for local authorities to review their strategy of undertaking new external borrowing. At Appendix F there is an in depth analysis of economic conditions provided by Link Asset Services, the Council’s independent treasury advisors.

9.16 Over the next three years, investment rates are expected to be significantly below long term borrowing rates. This 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.

9.17 This will be weighed against the potential for incurring additional long term 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.

9.18 Against this background caution will be adopted within 2020/21 treasury operations. The Deputy Chief Executive and 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

9.19 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.' The MHCLG 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.

9.20 This Council will not borrow in advance of need to on lend and profit from the difference in interest rate. Any decision to borrow in advance in support of strategic and service delivery objectives will be in the context of achieving the best overall value for money, for example to minimise the risk of borrowing costs increasing in the future 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 implications for future plans and budget 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

9.21 As noted above, 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; however, it can be beneficial as it avoids the need to borrow in advance of need and suffer cost of carry. It may also represent a saving if rates were to rise in the future. 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

9.22 It is likely that opportunities to reschedule debt in the 2020/21 financial year will be limited due to prevailing debt interest rates being relatively low.

9.23 As short term borrowing rates will be considerably cheaper than longer term rates, there may be some opportunity to generate savings by switching from long term debt to short term debt. These savings will need to be considered in the light of the premiums incurred 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 portfolio.

9.24 The debt portfolio following HRA reform consists mainly of LOBOs, and the premia for rescheduling these make it unlikely there will be a cost effective opportunity to reschedule. The premia relates to the future interest payments associated with the loan and compensation for the lender for the buy-back of the interest rate options the loan has embedded in it.

9.25 The Council will continue to monitor the LOBO market and opportunities to reschedule, redeem or 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)

9.26 Any restructuring of LOBOs will only be progressed if it provides value for money and reduces the overall treasury risk the Council faces. The Council's Constitution delegates to the Deputy Chief Executive and City Treasurer the authority to pursue any restructuring, rescheduling or redemption opportunities available.

9.27 Consideration will also be given to the potential 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.

9.28 All rescheduling will be reported to the Executive as part of the normal treasury management activity. If rescheduling requires amendments to the Treasury Management Strategy the Deputy Chief Executive and City Treasurer will be asked to approve them in accordance with the delegated powers accorded to the position and the changes will be reported to Members.

10 Annual Investment Strategy

HRA

10.1 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 I.

General Fund

Introduction

10.2 The Council will have regard to the MHCLG's Guidance on Local Government Investments (the Guidance) and the 2011 and 2017 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.

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

10.4 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 this supports the achievement of the Council's strategies and service objectives.

10.5 The Council's TMSS focusses solely on treasury management investments. The Council does not hold any commercial investments and details of strategic capital investments can be found in the Capital Strategy and Budget Report to the Executive.

Investment Policy

10.6 The Council's investment policy is to manage the Council's cash flow through investments in high credit quality.

10.7 As in previous years, 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. 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.

10.8 Investment in banks and building societies are now exposed to bail-in risk following the introduction of the EU's Banking Recovery and Resolution Directive, which means depositor's funds over £85,000 are at risk of "bail-in" if the bank fails. In response to this, the Council adopted lower operational limits for such investments in 2016/17 and these remain.

10.9 The exception is 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 operational changes and to preserve flexibility should circumstances change the overall investment limits approved for banks and building societies for 2019/20 will be maintained in 2020/21.

10.10 In line with the policy adopted in this strategy in previous years, options to diversify the investment portfolio have been reviewed and adopted. The

[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.

Council now actively uses money market funds alongside deposits with banks, other local authorities and the Debt Management Agency.

10.11 For 2020/21 the Council will continue to consider investing in Treasury Bills, Certificates of Deposit and Covered Bonds. In addition to diversification each of these options offer the Council benefits which are noted in more detail below. These instruments 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, and to identify and resolve any governance challenges arising from investing in instruments which have an active secondary market. 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. It is not expected that the measures considered above will have a significant impact on the rates of return the Council currently achieves.

Specified and Non-Specified Investments

10.13 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.

10.14 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[2]	See Creditworthiness Policy.	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

[2] 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 10.21-10.22. If this limit is breached, for example due to significant late receipts, the Deputy Chief Executive and 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.

Table 4	Minimum 'High' Credit Criteria	Use
Treasury Bills	UK Government backed	In-house
Covered Bonds	AAA	In-house

Creditworthiness Policy

10.15 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

10.16 The above are combined 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.

10.17 The Council has regard to Link's approach to assessing creditworthiness when selecting counterparties as it uses a wider array of information than just primary ratings and by using a risk weighted scoring system does not give undue prominence to just one agency's ratings.

10.18 In summary the Council will approach assessment of creditworthiness by using the Link counterparty list and then applying 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[3] 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.

10.19 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

[3] 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 Link Asset Services' Credit List.

government support for banks and the credit ratings of that government support.

Investment Limits

10.20 In applying the creditworthiness policy the Council holds the security of investments as the key consideration and will only seek to make treasury investments with counterparties of high credit quality.

10.21 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

10.22 In seeking to diversify the Council will utilise other investment types which are described in more detail below and ensure that the investment portfolio is mixed to help mitigate credit risk. 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	£75 million
Certificates of Deposit	£25 million
Covered Bonds	£25 million

10.23 It is proposed that the limit for Money Market Funds increases by £15m, when compared to last year's Strategy. This reflects the role the funds have been playing in the Council's investment portfolio, and would allow the Council to have 5 active funds as opposed to 4. There is a risk to taking this approach, in that it potentially increases the investments in one type of instrument at any given time, but the nature of Money Market Funds and the diversification of instruments within the Fund helps to mitigate this.

10.24 It may be prudent 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 Deputy Chief Executive and City Treasurer and any increase in the limits will be reported to Members through the normal treasury management reporting process.

Durational Limits

10.25 Operationally the Council has in recent years not invested cash for more than three months, which was a product of security concerns following the financial crisis of 2008/09 and the relatively volatile nature of the Council's cash flow.

10.26 The financial markets have changed significantly since 2008/09, and the transparency of creditworthiness has improved. It is therefore proposed that the Council formally states, as part of the Investment Strategy, that it will invest for up to 364 days provided that such investments form part of the management of the cash flow and not for increased yield. On this basis, such investments will only be made if the cash flow forecast at the time indicates a level of "core" cash which will not be required for the investment period.

Money Market Funds

10.27 The removal of the implied levels of sovereign support that were built into ratings throughout the financial crisis has impacted on bank and building society ratings across the world. Rating downgrades can limit the number of counterparties available and to provide flexibility the Council will use MMFs when appropriate as an alternative specified investment.

10.28 MMFs are investment instruments that invest in a variety of institutions therefore diversifying the investment risk. The funds are managed by a fund manager and 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. MMFs also provide flexibility as investments and withdrawals can be made on a daily basis.

10.29 MMFs 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. The Council will only use MMFs where the institutions hold the highest AAA credit rating and those which are UK or European based.

10.30 As with all investments there is some risk with MMFs in terms of the capital value of the investment. European legislation has required existing and new Constant Net Asset Value MMFs to convert to a Low Volatility Net Asset Value (LVNAV) basis by January 2019. This basis allows movements in capital value, but there is a restriction that the deviation cannot be more than 20 basis points, e.g. on a deposit of £100 the Fund must ensure withdrawal proceeds are no greater than +/- 20p.

Treasury Bills

10.31 Treasury Bills are marketable securities issued by the UK Government and 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.

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

10.33 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 to purchase them in the secondary market. In the majority of cases the Council will hold to maturity to avoid any potential capital loss from selling before maturity and will only sell the Treasury Bills early if it can demonstrate value for money in doing so.

Certificates of Deposit

10.34 Certificates of Deposit are short dated marketable securities issued by financial institutions so the counterparty risk is low. The instruments have flexible maturity dates so it is possible to trade them in early although 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 will only deal with Certificates of Deposit that are issued by banks and meet the credit criteria.

Covered Bonds

10.35 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

10.36 Based on cash flow forecasts, the level of cash balances in 2020/21 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

10.37 Link's view of forecast Bank Rate is noted at Section 9. The current economic outlook is that the structure of market interest rates and government debt yields have several key treasury management implications.

10.38 On the assumption that the UK and EU agree a Brexit deal including the terms of trade by the end of 2020 or soon after, then Bank Rate is forecast to increase only slowly over the next few years. Link's view is that Bank Rate will rise to 1.00% by March 2021.

10.39 This suggest that investment returns are likely to remain relatively low during 2020/21, and beyond given the global economic outlook.

10.40 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.

10.41 The Council will avoid locking into longer term deals while investment rates are at historically low levels 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.

10.42 For 2020/21 it is suggested the Council should target an investment return of 0.50% 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

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

Policy on the use of External Service Providers

10.44 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.

10.45 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.

11 Scheme of Delegation

11.1 Appendix D describes the responsibilities of Member groups and officers in relation to treasury management.

12 Role of the Section 151 Officer

12.1 Appendix E notes the definition of the role of the Deputy Chief Executive and City Treasurer in relation to treasury management.

13 Minimum Revenue Provision (MRP) Strategy

13.1 Appendix B contains the Council's policy for spreading capital expenditure charges to revenue through the annual MRP charge.

14 Recommendations

14.1 Please see page 1 of the report for the list of recommendations.

15 Contributing to a Zero-Carbon City

15.1 Treasury Management activity underpins the Council's finances, and therefore supports projects and initiatives which seek to achieve the Council's zero carbon target.

16 Contributing to the Our Manchester Strategy

16.1 The Treasury Management function supports the whole Council by seeking to ensure that funding is available when required, to fund all of the work that the Council undertakes. Therefore, whilst not directly contributing to the strategic aims, the Council's treasury management activity underpins the work taking place elsewhere to achieve the outcomes.

17 Key Policies and Considerations

(a) Equal Opportunities

17.1 None.

(b) Risk Management

17.2 CIPFA's Prudential and Treasury Management Codes provide the risk management framework within which the treasury management activities of the Council operate. The Strategy should be seen as the Council's approach to this framework.

(c) Legal Considerations

17.3 None.

Appendix A

Prudential and Treasury Indicators for approval

Please note last years approved figures are shown in brackets.

Treasury Management Indicators	2020-21 %		2021-22 %		2022-23 %
Estimated Financing Costs to Net Revenue Stream[4]	6.7%		7.3%		7.4%
Authorised Limit - external debt	£m		£m		£m
Borrowing	1,384.5	(1,684.5)	1,396.2	(1,412.9)	1,396.2
Other long term liabilities	190.0	(170.0)	190.0	(170.0)	190.0
TOTAL	1,574.5	(1,900.5)	1,586.2	(1,582.9)	1,586.2
Operational Boundary - external debt					
Borrowing	1,006.2	(1,151.7)	1,176.9	(1,275.0)	1,295.5
Other long term liabilities	190.0	(170)	190.0	(170.0)	190.0
TOTAL	1,196.2	(1,321.7)	1,366.9	(1,445.0)	1,485.5
Estimated external debt	792.8	(977.4)	1,016.4	(1,141.5)	1,174.3
Upper limit for total principal sums invested for over 364 days	0	(0)	0	(0)	0
Estimated Capital Expenditure					
Non - HRA	339.6	(370.3)	260.2	(207.4)	180.2
HRA	38.8	(48.7)	28.6	(36.6)	28.1
TOTAL	378.4	(419.0)	288.8	(244.0)	208.3
Estimated Capital Financing Requirement (as at 31 March)					
Non – HRA	1,543.1	(1,477.1)	1,706.5	(1,611.1)	1,802.5
HRA	299.2	(299.2)	300.0	(300.0)	301.0
TOTAL	1,842.3	(1,776.3)	2,006.5	(1,911.1)	2103.5

Maturity structure of borrowing during 2020-21	Upper Limit		Lower limit	
under 12 months	80%	(80%)	0%	(0%)
12 months and within 24 months	70%	(70%)	0%	(0%)
24 months and within 5 years	60%	(50%)	0%	(0%)
5 years and within 10 years	50%	(50%)	0%	(0%)
10 years and above	80%	(80%)	40%	(40%)
Has the Authority adopted the CIPFA Treasury Management Code?				Yes

[4] Note that for 2021-22 onward these are based on estimated net revenue budgets.

The status of the indicators will be included in Treasury Management reporting during 2020/21. They will also be included in the Council's Capital Budget monitoring reports during 2020/21.

Definitions and Purpose of the Treasury Management Indicators noted above (Indicators are as recommended by the CIPFA Prudential Code last revised in 2017)

Estimated Financing Costs to Net Revenue Stream

The authority will set for the forthcoming year and the following financial years an estimate of financing costs to net revenue stream. The indicator recognises that ultimately all debts of a local authority fall on the taxpayer, and that therefore when considering affordability it is important to review the scale of financing costs to net revenue.

Estimated Capital Expenditure

The authority sets a capital budget for each financial year, which includes an estimate of the capital expenditure which might be incurred. The figures here also include changes to other long term liabilities.

Estimates Capital Financing Requirement

The capital financing requirement reflects the authority's underlying need to finance capital expenditure, and is based on all capital expenditure including that incurred in previous years.

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. Other long term liabilities include PFI's, service concessions and finance leases. Due to the introduction of IFRS16 (Leasing) on the 1st of April 2020, more of the Council's lessee leases will be classed as finance leases and will therefore fall under the categorisation, therefore the value has increased from previous years. Work is underway to determine the value of this change in accounting standards, but £20.0m has been added to the indicator at this stage, and will be reviewed once this work is complete. 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.

Estimated 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 Estimated 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 external 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.

Maturity structure of new 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.

Local Prudential Indicators

The Council has not yet introduced Local Prudential Indicators to reflect local circumstances, but will review on a regular basis the need for these in the future.

Appendix B

Minimum Revenue Provision Strategy

The Council implemented the new Minimum Revenue Provision (MRP) guidance in 2011/12 and has assessed its MRP for 2020/21 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).

MHCLG 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 notional 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 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 MHCLG'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, and with the introduction of IFRS16 (Leasing) from the 1st of April 2020 more lessee leases will be classified in a similar way. 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 from a third party of high credit quality, 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 C

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 D

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 **Deputy Chief Executive and City Treasurer**

- delivery of the function

Appendix E

The Treasury Management role of the Section 151 Officer

The S151 (responsible) Officer

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance
- submitting regular treasury management policy reports
- submitting budgets and budget variations
- receiving and reviewing management information reports
- reviewing the performance of the treasury management function
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
- ensuring the adequacy of internal audit, and liaising with external audit
- recommending the appointment of external service providers

The points noted above reflect the specific responsibilities of the S151 Officer prior to the 2017 CIPFA Treasury Management Code revisions. The CIPFA Prudential Code revision which followed the MHCLG revised guidance on local government investments represents a major extension of the functions of the S151 Officer role, especially in respect of non-financial investments which CIPFA define as being part of treasury management.

The additional functions of the S151 Officer role are:

- preparation of a capital strategy with a long term timeframe to include capital expenditure, capital financing, non-financial investments and treasury management
- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority
- ensuring that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees
- ensuring that members are adequately informed and understand the risk exposures taken on by an authority
- ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above

- creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed, to include the following:
  - Risk management including investment and risk management criteria for any material non-treasury investment portfolios;
  - Performance measurement and management including methodology and criteria for assessing the performance and success of non-treasury investments;
  - Decision making, governance and organisation including a statement of the governance requirements for decision making in relation to non-treasury investments; and arrangements to ensure that appropriate professional due diligence is carried out to support decision making;
  - Reporting and management information including where and how often monitoring reports are taken;
  - Training and qualifications including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.

Appendix F

Economic Background as at December 2019 – Link Asset Services

UK. Brexit. 2019 has been a year of upheaval on the political front as Theresa May resigned as Prime Minister to be replaced by Boris Johnson on a platform of the UK leaving the EU on 31 October 2019, with or without a deal. However, MPs blocked leaving on that date and the EU agreed an extension to 31 January 2020. In late October, MPs approved an outline of a Brexit deal to enable the UK to leave the EU on 31 January. Now that the Conservative Government has gained a large overall majority in the **general election** on 12 December, this outline deal will be passed by Parliament by that date. However, there will still be much uncertainty as the detail of a trade deal will need to be negotiated by the current end of the transition period in December 2020, which the Prime Minister has pledged he will not extend. This could prove to be an unrealistically short timetable for such major negotiations that leaves open two possibilities; one, the need for an extension of negotiations, probably two years, or, a no deal Brexit in December 2020.

GDP growth has taken a hit from Brexit uncertainty during 2019; quarter three 2019 surprised on the upside by coming in at +0.4% q/q, +1.1% y/y. However, the peak of Brexit uncertainty during the final quarter appears to have suppressed quarterly growth to probably around zero. The economy is likely to tread water in 2020, with tepid growth around about 1% until there is more certainty after the trade deal deadline is passed.

While the Bank of England went through the routine of producing another **quarterly Inflation Report,** (now renamed the Monetary Policy Report), on 7 November, it is very questionable how much all the writing and numbers were worth when faced with the uncertainties of where the UK will be after the general election. The Bank made a change in their Brexit assumptions to now include a deal being eventually passed. Possibly the biggest message that was worth taking note of from the Monetary Policy Report, was an increase in concerns among MPC members around weak global economic growth and the potential for Brexit uncertainties to become entrenched and so delay UK economic recovery. Consequently, the MPC voted 7-2 to maintain Bank Rate at 0.75% but two members were sufficiently concerned to vote for an immediate Bank Rate cut to 0.5%. The MPC warned that if global growth does not pick up or Brexit uncertainties intensify, then a rate cut was now more likely. Conversely, if risks do recede, then a more rapid recovery of growth will require gradual and limited rate rises. The speed of recovery will depend on the extent to which uncertainty dissipates over the final terms for trade between the UK and EU and by how much global growth rates pick up. The Bank revised its inflation forecasts down – to 1.25% in 2019, 1.5% in 2020, and 2.0% in 2021; hence, the MPC views inflation as causing little concern in the near future.

The **MPC meeting of 19 December** repeated the previous month's vote of 7-2 to keep Bank Rate on hold. Their key view was that there was currently 'no evidence about the extent to which policy uncertainties among companies and households had declined' i.e. they were going to sit on their hands and see how the economy goes in the next few months. The two members who voted for a cut were concerned that the labour market was faltering. On the other hand, there was a clear warning in the minutes that the MPC were concerned that "domestic unit labour costs have continued to grow at rates above those consistent with meeting the inflation target in the medium term".

If economic growth were to weaken considerably, the MPC has relatively little room to make a big impact with Bank Rate still only at 0.75%. It would therefore, probably suggest that it would be up to the Chancellor to provide help to support growth by way of a **fiscal boost** by e.g. tax cuts, increases in the annual expenditure budgets of government departments and services and expenditure on infrastructure projects, to boost the economy. The Government has already made moves in this direction and it made significant promises in its election manifesto to increase government spending by up to £20bn p.a., (this would add about 1% to GDP growth rates), by investing primarily in infrastructure. This is likely to be announced in the next Budget, probably in February 2020. The Chancellor has also amended the fiscal rules in November to allow for an increase in government expenditure.

As for **inflation** itself, CPI has been hovering around the Bank of England's target of 2% during 2019, but fell again in both October and November to a three-year low of 1.5%. It is likely to remain close to or under 2% over the next two years and so, it does not pose any immediate concern to the MPC at the current time. However, if there was a hard or no deal Brexit, inflation could rise towards 4%, primarily because of imported inflation on the back of a weakening pound.

With regard to the **labour market,** growth in numbers employed has been quite resilient through 2019 until the three months to September where it fell by 58,000. However, there was an encouraging pick up again in the three months to October to growth of 24,000, which showed that the labour market was not about to head into a major downturn. The unemployment rate held steady at a 44-year low of 3.8% on the Independent Labour Organisation measure in October. Wage inflation has been steadily falling from a high point of 3.9% in July to 3.5% in October (3-month average regular pay, excluding bonuses). This meant that in real terms, (i.e. wage rates higher than CPI inflation), earnings grew by about 2.0%. As the UK economy is very much services sector driven, an increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months. The other message from the fall in wage growth is that employers are beginning to find it easier to hire suitable staff, indicating that supply pressure in the labour market is easing.

USA. President Trump's massive easing of fiscal policy in 2018 fuelled a temporary boost in consumption in that year which generated an upturn in the rate of growth to a robust 2.9% y/y. **Growth** in 2019 has been falling after a strong start in quarter 1 at 3.1%, (annualised rate), to 2.0% in quarter 2 and then 2.1% in quarter 3. The economy looks likely to have maintained a growth rate similar to quarter 3 into quarter 4; fears of a recession have largely dissipated. The strong growth in employment numbers during 2018 has weakened during 2019, indicating that the economy had been cooling, while inflationary pressures were also weakening. However, CPI inflation rose from 1.8% to 2.1% in November, a one year high, but this was singularly caused by a rise in gasoline prices.

The Fed finished its series of increases in rates to 2.25 – 2.50% in December 2018.

In July 2019, it cut rates by 0.25% as a 'midterm adjustment' but flagged up that this was not intended to be seen as the start of a series of cuts to ward off a downturn in growth. It also ended its programme of quantitative tightening in August, (reducing its holdings of treasuries etc.). It then cut rates by 0.25% again in September and by another 0.25% in its October meeting to 1.50 – 1.75%. At its September meeting it also said it was going to **start buying Treasuries again**, although this was not to be seen as a resumption of quantitative easing but rather an exercise to relieve liquidity pressures in the repo market. Despite those protestations, this still means that the Fed is again expanding its balance sheet holdings of government debt. In the first month, it will buy $60bn, whereas it had been reducing its balance sheet by $50bn per month during 2019. As it will be buying only short-term (under 12 months) Treasury bills, it is technically correct that this is not quantitative easing (which is purchase of long term debt). The Fed left rates unchanged in December. However, the accompanying statement was more optimistic about the future course of the economy so this would indicate that further cuts are unlikely.

Investor confidence has been badly rattled by the progressive ramping up of increases in tariffs President Trump has made on Chinese imports and China has responded with increases in tariffs on American imports. This **trade war** is seen as depressing US, Chinese and world growth. In the EU, it is also particularly impacting Germany as exports of goods and services are equivalent to 46% of total GDP. It will also impact developing countries dependent on exporting commodities to China.

However, in November / December, progress has been made on agreeing a phase one deal between the US and China to roll back some of the tariffs; this gives some hope of resolving this dispute.

EUROZONE. Growth has been slowing from +1.8 % during 2018 to around half of that in 2019. Growth was +0.4% q/q (+1.2% y/y) in quarter 1, +0.2% q/q (+1.2% y/y) in quarter 2 and then +0.2% q/q, +1.1% in quarter 3; there appears to be little upside potential in the near future. German GDP growth has been struggling to stay in positive territory in 2019 and fell by -0.1% in quarter 2; industrial production was down 4% y/y in June with car production down 10% y/y. Germany would be particularly vulnerable to a no deal Brexit depressing exports further and if President Trump imposes tariffs on EU produced cars.

The European Central Bank (ECB) ended its programme of quantitative easing purchases of debt in December 2018, which then meant that the central banks in the US, UK and EU had all ended the phase of post financial crisis expansion of liquidity supporting world financial markets by quantitative easing purchases of debt. However, the downturn in EZ growth in the second half of 2018 and into 2019, together with inflation falling well under the upper limit of its target range of 0 to 2%, (but it aims to keep it near to 2%), has prompted the ECB to take new measures to stimulate growth. At its March meeting it said that it expected to leave interest rates at their present levels "at least through the end of 2019", but that was of little help to boosting growth in the near term. Consequently, it announced a **third round of Targeted Long Term Refinancing Operations**; this provides banks with cheap borrowing every three months from September 2019 until March 2021 that means that, although they will have only a two-year maturity, the Bank was making funds available until 2023, two years later than under its previous policy. As with the last round, the new TLTROs will include an incentive to encourage bank lending, and they will be capped at 30% of a bank's eligible loans. However, since then, the downturn in EZ and world growth has gathered momentum; at its meeting on 12 September it cut its deposit rate further into negative territory, from -0.4% to -0.5%, and announced a **resumption of quantitative easing purchases of debt for an unlimited period.** At its October meeting it said these purchases would start in November at €20bn per month - a relatively small amount compared to the previous buying programme. It also increased the maturity of the third round of TLTROs from two to three years. However, it is doubtful whether this loosening of monetary policy will have much impact on growth and, unsurprisingly, the ECB stated that governments would need to help stimulate growth by 'growth friendly' fiscal policy.

There were no policy changes in the December meeting, which was chaired for the first time by the new President of the ECB, Christine Lagarde. However, the outlook continued to be down beat about the economy; this makes it likely there will be further monetary policy stimulus to come in 2020. She did also announce a thorough review of how the ECB conducts monetary policy, including the price stability target. This review is likely to take all of 2020.

On the political front, Austria, Spain and Italy have been in the throes of **forming coalition governments** with some unlikely combinations of parties i.e. this raises questions around their likely endurance. The latest results of German state elections has put further pressure on the frail German CDU/SDP coalition government and on the current leadership of the CDU. The results of the Spanish general election in November have not helped the prospects of forming a stable coalition.

CHINA. Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and shadow banking systems. In addition, there still needs to be a greater switch from investment in industrial capacity, property construction and infrastructure to consumer goods production.

JAPAN - has been struggling to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy.

WORLD GROWTH. Until recent years, world growth has been boosted by increasing **globalisation** i.e. countries specialising in producing goods and commodities in which they have an economic advantage and which they then trade with the rest of the world. This has boosted worldwide productivity and growth, and, by lowering costs, has also depressed inflation. However, the rise of China as an economic superpower over the last thirty years, which now accounts for nearly 20% of total world GDP, has unbalanced the world economy. The Chinese government has targeted achieving major world positions in specific key sectors and products, especially high tech areas and production of rare earth minerals used in high tech products. It is achieving this by massive financial support, (i.e. subsidies), to state owned firms, government directions to other firms, technology theft, restrictions on market access by foreign firms and informal targets for the domestic market share of

Chinese producers in the selected sectors. This is regarded as being unfair competition that is putting western firms at an unfair disadvantage or even putting some out of business. It is also regarded with suspicion on the political front as China is an authoritarian country that is not averse to using economic and military power for political advantage. The current trade war between the US and China therefore needs to be seen against that backdrop. It is, therefore, likely that we are heading into a period where there will be a **reversal of world globalisation and a decoupling of western countries** from dependence on China to supply products. This is likely to produce a backdrop in the coming years of weak global growth and so weak inflation. **Central banks are, therefore, likely to come under more pressure to support growth by looser monetary policy measures and this will militate against central banks increasing interest rates**.

The trade war between the US and China is a major concern to **financial markets** due to the synchronised general weakening of growth in the major economies of the world, compounded by fears that there could even be a recession looming up in the US, though this is probably overblown. These concerns resulted in **government bond yields** in the developed world falling significantly during 2019. If there were a major worldwide downturn in growth, central banks in most of the major economies will have limited ammunition available, in terms of monetary policy measures, when rates are already very low in most countries, (apart from the US). There are also concerns about how much distortion of financial markets has already occurred with the current levels of quantitative easing purchases of debt by central banks and the use of negative central bank rates in some countries. The latest PMI survey statistics of economic health for the US, UK, EU and China have all been predicting a downturn in growth; this confirms investor sentiment that the outlook for growth during the year ahead is weak.

INTEREST RATE FORECASTS

The interest rate forecasts provided by Link Asset Services are **predicated on an assumption of an agreement being reached on Brexit between the UK and the EU.** On this basis, while GDP growth is likely to be subdued in 2019 and 2020 due to all the uncertainties around Brexit depressing consumer and business confidence, an agreement on the detailed terms of a trade deal is likely to lead to a boost to the rate of growth in subsequent years. This could, in turn, increase inflationary pressures in the economy and so cause the Bank of England to resume a series of gentle increases in Bank Rate. Just how fast, and how far, those increases will occur and rise to, will be data dependent. The forecasts in this report assume a modest recovery in the rate and timing of stronger growth and in the corresponding response by the Bank in raising rates.

- In the event of an **orderly non-agreement exit in December 2020**, it is likely that the Bank of England would take action to cut Bank Rate from 0.75% in order to help economic growth deal with the adverse effects of this situation. This is also likely to cause short to medium term gilt yields to fall.
- If there were a **disorderly Brexit**, then any cut in Bank Rate would be likely to last for a longer period and also depress short and medium gilt yields correspondingly. Quantitative easing could also be restarted by the Bank of

England. It is also possible that the government could act to protect economic growth by implementing fiscal stimulus.

The balance of risks to the UK

- The overall balance of risks to economic growth in the UK is probably even, but dependent on a successful outcome of negotiations on a trade deal.
- The balance of risks to increases in Bank Rate and shorter term PWLB rates are broadly similarly to the downside.
- In the event that a Brexit deal was agreed with the EU and approved by Parliament, the balance of risks to economic growth and to increases in Bank Rate is likely to change to the upside.

One risk that is both an upside and downside risk, is that all central banks are now working in very different economic conditions than before the 2008 financial crash as there has been a major increase in consumer and other debt due to the exceptionally low levels of borrowing rates that have prevailed since 2008. This means that the neutral rate of interest in an economy, (i.e. the rate that is neither expansionary nor deflationary), is difficult to determine definitively in this new environment, although central banks have made statements that they expect it to be much lower than before 2008. Central banks could therefore either over or under do increases in central interest rates.

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- **Brexit** – if it were to cause significant economic disruption and a major downturn in the rate of growth.
- **Bank of England** takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- A resurgence of the **Eurozone sovereign debt crisis.** In 2018, Italy was a major concern due to having a populist coalition government which made a lot of anti-austerity and anti-EU noise. However, in September 2019 there was a major change in the coalition governing Italy which has brought to power a much more EU friendly government; this has eased the pressure on Italian bonds. Only time will tell whether this new coalition based on an unlikely alliance of two very different parties will endure.
- Weak capitalisation of some **European banks**, particularly Italian banks.
- **German minority government.** In the German general election of September 2017, Angela Merkel's CDU party was left in a vulnerable minority position dependent on the fractious support of the SPD party, as a result of the rise in popularity of the anti-immigration AfD party. The CDU has done badly in recent state elections but the SPD has done particularly badly and this has raised a major question mark over continuing to support the CDU. Angela Merkel has stepped down from being the CDU party leader but she intends to remain as Chancellor until 2021.
- **Other minority EU governments.** Austria, Finland, Sweden, Spain, Portugal, Netherlands and Belgium also have vulnerable minority governments dependent on coalitions which could prove fragile.

- **Austria, the Czech Republic, Poland and Hungary** now form a strongly anti-immigration bloc within the EU. There has also been rising anti-immigration sentiment in Germany and France.
- In October 2019, the IMF issued a report on the World Economic Outlook which flagged up a synchronised slowdown in world growth. However, it also flagged up that there was **potential for a rerun of the 2008 financial crisis**, but his time centred on the huge debt binge accumulated by corporations during the decade of low interest rates. This now means that there are corporates who would be unable to cover basic interest costs on **some $19trn of corporate debt in major western economies,** if world growth was to dip further than just a minor cooling. This debt is mainly held by the shadow banking sector i.e. pension funds, insurers, hedge funds, asset managers etc., who, when there is $15trn of corporate and government debt now yielding negative interest rates, have been searching for higher returns in riskier assets. Much of this debt is only marginally above investment grade so any rating downgrade could force some holders into a fire sale, which would then depress prices further and so set off a spiral down. The IMF's answer is to suggest imposing higher capital charges on lending to corporates and for central banks to regulate the investment operations of the shadow banking sector. In October 2019, the deputy Governor of the Bank of England also flagged up the dangers of banks and the shadow banking sector lending to corporates, especially highly leveraged corporates, which had risen back up to near pre-2008 levels.
- **Geopolitical risks,** for example in North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.

Upside risks to current forecasts for UK gilt yields and PWLB rates

- **Brexit** – if agreement was reached all round that removed all threats of economic and political disruption between the EU and the UK.
- The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.
- **UK inflation,** whether domestically generated or imported, returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.

Appendix G

Prospects for Interest Rates

The data below shows the latest interest rate forecast from the Council's treasury management advisors, Link Asset Services, dated 11th November 2019.

Link Asset Services Interest Rate View

%	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Bank Rate View	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.25	1.25	1.25	1.25
3 Month LIBID	0.70	0.70	0.80	0.90	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.30	1.30
6 Month LIBID	0.80	0.80	0.90	1.00	1.10	1.10	1.20	1.30	1.40	1.50	1.50	1.50	1.50
12 Month LIBID	1.00	1.00	1.10	1.20	1.30	1.30	1.40	1.50	1.60	1.70	1.70	1.70	1.70
5yr PWLB rate	2.40	2.40	2.50	2.50	2.60	2.70	2.80	2.90	2.90	3.00	3.10	3.20	3.20
10yr PWLB rate	2.70	2.70	2.70	2.80	2.90	3.00	3.10	3.20	3.20	3.30	3.30	3.40	3.50
25yr PWLB rate	3.30	3.40	3.40	3.50	3.60	3.70	3.70	3.80	3.90	4.00	4.00	4.10	4.10
50yr PWLB rate	3.20	3.30	3.30	3.40	3.50	3.60	3.60	3.70	3.80	3.90	3.90	4.00	4.00

Please Note – The current PWLB rates and forecast shown above have taken into account the 20 basis point certainty rate reduction effective as of the 1st November 2012.

Appendix H

Glossary of Terms

Authorised Limit - This Prudential Indicator represents the limit beyond which borrowing is prohibited, and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable. It is the expected maximum borrowing need, with some headroom for unexpected movements.

Bank Rate - the rate at which the Bank of England offers loans to the wholesale banks, thereby controlling general interest rates in the economy.

Counterparty - one of the opposing parties involved in a borrowing or investment transaction.

Covered Bonds - Debt instruments secured by assets such as mortgage loans. These loans remain on the issuer's balance sheet and investors have a preferential claim in the event of the issuing institution defaulting.

Credit Rating - A qualified assessment and formal evaluation of an institution's (bank or building society) credit history and capability of repaying obligations. It measures the probability of the borrower defaulting on its financial obligations, and its ability to repay these fully and on time.

Discount - Where the prevailing interest rate is higher than the fixed rate of a long-term loan, which is being repaid early, the lender can refund the borrower a discount, the calculation being based on the difference between the two interest rates over the remaining years of the loan, discounted back to present value. The lender is able to offer the discount, as their investment will now earn more than when the original loan was taken out.

Fixed Rate Funding - A fixed rate of interest throughout the time of the loan. The rate is fixed at the start of the loan and therefore does not affect the volatility of the portfolio, until the debt matures and requires replacing at the interest rates relevant at that time.

Gilts - The loan instruments by which the Government borrows. Interest rates will reflect the level of demand shown by investors when the Government auctions Gilts.

High/Low Coupon - High/Low interest rate

LIBID (London Interbank Bid Rate) - This is an average rate, calculated from the rates at which individual major banks in London are willing to borrow from other banks for a particular time period. For example, 6 month LIBID is the average rate at which banks are willing to pay to borrow for 6 months.

LIBOR (London Interbank Offer Rate) - This is an average rate, calculated from the rates which major banks in London estimate they would be charged if they borrowed from other banks for a particular time period. For example, 6 month LIBOR is the average rate which banks believe they will be charged for borrowing for 6 months.

Liquidity - The ability of an asset to be converted into cash quickly and without any price discount. The more liquid a business is, the better able it is to meet short-term financial obligations.

LOBO (Lender Option Borrower Option) - This is a type of loan where, at various periods known as call dates, the lender has the option to alter the interest rate on the loan. Should the lender exercise this option, the borrower has a corresponding option to repay the loan in full without penalty.

Market -The private sector institutions - Banks, Building Societies etc.

Maturity Profile/Structure - an illustration of when debts are due to mature, and either have to be renewed or money found to pay off the debt. A high concentration in one year will make the Council vulnerable to current interest rates in that year.

Monetary Policy Committee - the independent body that determines Bank Rate.

Money Market Funds - Investment instruments that invest in a variety of institutions, therefore diversifying the investment risk.

Operational Boundary – This Prudential Indicator is based on the probable external debt during the course of the year. It is not a limit and actual borrowing could vary around this boundary for short times during the year. It should act as an indicator to ensure the Authorised Limit is not breached.

Premium - Where the prevailing current interest rate is lower than the fixed rate of a long-term loan, which is being repaid early, the lender can charge the borrower a premium, the calculation being based on the difference between the two interest rates over the remaining years of the loan, discounted back to present value. The lender may charge the premium, as their investment will now earn less than when the original loan was taken out.

Prudential Code - The Local Government Act 2003 requires the Council to ‘have regard to‘ the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council’s capital investment plans are affordable, prudent and sustainable.

PWLB - Public Works Loan Board. Part of the Government’s Debt Management Office, which provides loans to public bodies at rates reflecting those at which the Government is able to sell Gilts.

Specified Investments - Sterling investments of not more than one-year maturity. These are considered low risk assets, where the possibility of loss of principal or investment income is very low.

Non-specified investments - Investments not in the above, specified category, e.g., foreign currency, exceeding one year or outside our minimum credit rating criteria.

Treasury Bills - These are marketable securities issued by the UK Government and as such counterparty and liquidity risk is very low.

Variable Rate Funding - The rate of interest either continually moves reflecting interest rates of the day, or can be tied to specific dates during the loan period. Rates may be updated on a monthly, quarterly or annual basis.

Volatility - The degree to which the debt portfolio is affected by current interest rate movements. The more debt maturing within the coming year and needing replacement, and the more debt subject to variable interest rates, the greater the volatility.

Yield Curve - A graph of the relationship of interest rates to the length of the loan. A normal yield curve will show interest rates relatively low for short-term loans compared to long-term loans. An inverted Yield Curve is the opposite of this.

Appendix I

Treasury Management Implications of HRA Reform

As discussed in Section 5 of the report, the reform of the HRA finance system has consequences for the treasury management of the Council. As part of the reform, the HRA's debt portfolio needs to be separately identifiable to that of the General Fund, and the HRA will hold some autonomy over the management of its debt portfolio. However, in order to ensure that the treasury management function of the Council remains effective and provides value for money, and given that the Section 151 officer for both the General Fund and the HRA is the Deputy Chief Executive and City Treasurer, the HRA's treasury portfolio must be run in the context of the overall Council portfolio.

This appendix seeks to explain how the debt portfolio of the Council has been split between the General Fund and the HRA, and how the HRA treasury position will be managed going forward.

The Portfolio Split

One of the principles behind the reform of HRA finance was to provide some level of treasury autonomy for the HRA, separating its debt from the Council's so that its treasury position could be managed separately. To achieve this, the debt portfolio was to be split at the point that the debt settlement was made.

On the 28 March 2012, the Council received c. £294m which was to be used to reduce the debt held by the Council. The table below shows the Council's treasury portfolio before and after the settlement:

	Pre reform		Post reform
	£'000		*£'000*
PWLB	199,966		0
Market	549,640		480,215
Stock	8,159		8,159
Gross Debt	**757,765**		**488,374**
Deposits	-17,954		-42,839
Net Debt	**739,811**		**445,535**

At this point, the debt was to be split according to the relative capital financing requirements (CFRs) of both the General Fund and the HRA. The cash remainder of the settlement could not be used to redeem further market debt so, to ensure that the HRA CFR fell by the full level of the settlement, a notional transaction took place. An amount of debt equivalent to the cash remainder was transferred from the HRA to the General Fund, alongside the cash. This had a neutral effect on the General Fund's net debt.

The table below shows the CFRs before and after the debt settlement, with the HRA CFR falling by the settlement:

CFRs	Pre reform		Post reform	% of total
	£'000		*£'000*	
General Fund HRA	675,454 418,463		675,454 124,187	84.47% 15.53%
Total	**1,093,917**		**799,641**	**100.00%**
Of which financed: *Of which unfinanced:*			*488,374* *311,267*	

As can be seen from the tables below, the debt was to split in a ratio of 84.47:15.53 between the General Fund and the HRA, including the unfinanced CFR element. This is the level of internal borrowing undertaken in lieu of external borrowing, through the use of cash balances to fund expenditure rather than external borrowing. It was decided, for administrative reasons, that all of the Council's remaining stock debt should be held by the General Fund, which increased the relative level of unfinanced CFR held by the HRA.

The final split of the debt portfolio is shown in the table below:

	General Fund	HRA	Total
	£'000	*£'000*	*£'000*
Market	405,636	74,579	480,215
% of total market	*84.47%*	*15.53%*	
Stock	8,159	0	8,159
% of stock	*100.00%*	*0.00%*	
Total Loans	**413,795**	**74,579**	**488,374**
% of total loans	*84.73%*	*15.27%*	
Unfinanced CFR	261,659	49,608	311,267
% of unfinanced CFR	*84.06%*	*15.94%*	
Total CFR	**675,454**	**124,187**	**799,641**
% of total CFR	*84.47%*	*15.53%*	

Future HRA borrowing

Following the split of the portfolio, the HRA can make borrowing decisions according to the needs of their business plan, provided those decisions are aligned with their treasury strategy and are agreed by the Section 151 officer. The amounts and maturity periods of any future loans will be determined by the HRA, in conjunction with the Treasury Management team and the Deputy Chief Executive and City Treasurer. Any future borrowing made by the Council will be for either the General Fund or the HRA and not for the Council in general.

Use of Temporary Cash Balances and Temporary Borrowing

Although the HRA's treasury position is now independent of the General Fund, both are managed in the name of the Council as a whole. As such, the day to day treasury position of the Council, whilst having regard to the impact on the HRA and the General Fund, will be run on a Council basis – this simplifies the risk management of the treasury position, and should help to ensure that the treasury function is providing value for money.

To achieve this, the General Fund will deposit and temporarily borrow externally, but the HRA will only be able to deposit with the General Fund and, should it be required, will only be able to access temporary borrowing through the General Fund. In order to ensure that this is fair, interest rates will be applied to any such internal transfers, as summarised below:

- If the General Fund has temporary investments, HRA investments with the General Fund will earn – ***average portfolio temporary investment rate***

- If the General Fund does not have temporary investments, HRA investments with the General Fund will earn – ***7-day LIBID***

- If the General Fund has temporary borrowing, HRA temporary borrowing from the General Fund will be charged – ***average portfolio temporary borrowing rate***

- If the General fund does not have temporary borrowing, HRA temporary borrowing from the General Fund will be charged – ***7-day LIBOR***

The market rates to be used (7-day LIBID and LIBOR) are the benchmark rates used by the Council for investments and temporary borrowing.

Future Reporting

The intention is to continue to report to Members the overall treasury position of the Council, including both the General Fund and the HRA. Separate reports will be provided on the General Fund and the HRA, when required.

Manchester City Council
Report for Information

Report to: Executive – 12 February 2020

Subject: Budget Consultation 2020/21 - Results

Report of: The Deputy Chief Executive and City Treasurer and the Head of Strategic Communications

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Summary

This report provides a summary of the results of the budget consultation on the Executive’s draft budget proposals for 2020/21, as well as a summary of the responses received.

Recommendation

To note the report.

Wards Affected: All

Environmental Impact Assessment - the impact of the issues addressed in this report on achieving the zero-carbon target for the city
The budget supports all corporate priorities including the zero-carbon target for the city.

Manchester Strategy outcomes	Summary of how this report aligns to the OMS
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	The Council’s budget supports the delivery of the Our Manchester Strategy outcomes and all of Our Corporate Priorities.
A highly skilled city: world class and home grown talent sustaining the city’s economic success	
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	
A liveable and low carbon city: a destination of choice to live, visit, work	
A connected city: world class infrastructure and connectivity to drive growth	

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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.

Online budget consultation (consultation now closed) - www.manchester.gov.uk/budget

1.0 Introduction

1.1 The Council consulted with residents on the Executive's draft one-year 2020/21 budget options and proposed Council Tax increases for a four week period from 6 January 2020 to 2 February 2020.

1.2 As the budget for 2020/21 is a one-year forward planning budget, and there have been no statutory consultations around individual options identified, a full 12 week budget consultation was not required.

1.3 This report provides the full results of the consultation and a summary of coded free text responses and comments.

2.0 Budget consultation

2.1 Due to the pre-Christmas political uncertainties the Government's announcement of the Provisional Local Government Finance Settlement was delayed. A one-year budget was set for 2020/21 with budget options proposed for consultation.

2.2 As a result of the delays, budget communications were split into two distinct phases:

Phase one:
- 23 December 109 - 5 January 20: **Budget update**

Phase two:
- 6 January 20 - 2 February 20: **Budget options consultation** – have your say on our options (residents and businesses)
- 7 January – 5 March 20: **Budget messages -** You said, we did
- 6 March 20 - **Budget confirmation** - Confirmation of the agreed budget post full Council.

2.3 Phase one provided staff and residents with information about the budget setting process, the delays to the announcement of the provisional budget settlement from Government, the anticipated one-year budget and the budget timetable.

2.4 Phase two provided opportunities for residents, businesses and other stakeholders to comment on the council tax proposals, and provide suggestions and comment on the budget options overall.

2.5 The 'you said, we did' communications will deliver broad awareness of:
- the breadth of services the Council provides
- how the Council is funded
- how the Council's budget is currently spent
- the work undertaken by staff to reduce the budget deficit
- the scale of the budget challenge, as far as we are currently aware, faced by the Council – both in increasing need and decreasing resources

2.6 The final stage of phase two will communicate the budget decision post full Council on 6 March and share more detail on how we'll spend our budget.

3.0 Channels and engagement

3.1 All the budget option information was available on the Council website at www.manchester.gov.uk/budget. This included a plain English narrative of the budget and consultation process and summaries of all the directorate papers, including links to the full committee reports. The summaries were produced to provide an outline of the budget options that is easier for residents to read and digest.

3.2 Communications channels comprised an online and paper questionnaire and a social media campaign across a range of platforms using a mix of organic, boosted and paid-for targeted posts, supported by engaging digital content.

3.3 Activity was supported by proactive media releases and reactive media statements. Simple infographics were used to explain some of the key facts and figures in an easily digestible way.

3.4 Staff were also actively engaged with content in The Buzz and The Forum informing people of the budget options and signposting staff to the consultation.

3.5 2,188 unique visitors visited the budget and budget consultation website pages, 25% were referred from activity on Facebook (the top referral channel) and 10% from Twitter. After the budget homepage, the majority of users (36%) visited the 'Introduction page', followed by the council tax page (12%), homelessness budget page (7%) and Neighbourhoods page (6%). The least visited was the Corporate Services budget update page (3%).

3.6 The consultation has been promoted on Council social media channels including Facebook, Twitter and LinkedIn signposting them to the online survey. Messages have also been shared on active local Facebook groups in Didsbury, Gorton, Levenshulme, Moston/Harpurhey and Chorlton to increase reach.

3.7 Responses were monitored at intervals throughout the life of the consultation paid social media activity was used to target particular areas of the city and ethnicities to increase engagement where there were imbalances in completion.

3.8 Across social media channels 15 organic budget messages have been posted to date with a reach of 95,000 users on Facebook and 37,982 impressions on Twitter. Activity resulted in 808 click throughs to the consultation pages.

3.9 Budget messages were shared with residents via the Council's monthly e-bulletin, resulting in 162 click throughs to the web pages.

3.10 Printed questionnaires were sent to all libraries and issued to all Councillors to distribute at a local level if desired. 32 printed questionnaires were returned.

4.0 Consultation questionnaire

4.1 The consultation asked five questions, two main questions, with three additional open text boxes included to give residents the opportunity to fully express their views and give general comments on the budget options.

1. Do you agree or disagree that we should protect adult social care by increasing council tax by 2%?
2. Additional free text box

3. Do you agree or disagree that we should continue to invest in the services which residents told us matter most, such as roads, neighbourhoods and homelessness, even if this would require a further 1.99% increase in council tax?
4. Additional free text box

5. Please give any general views and comments on the proposed budget. Please also suggest any ways that you and your community could support the things that matter to you. (Free text box)

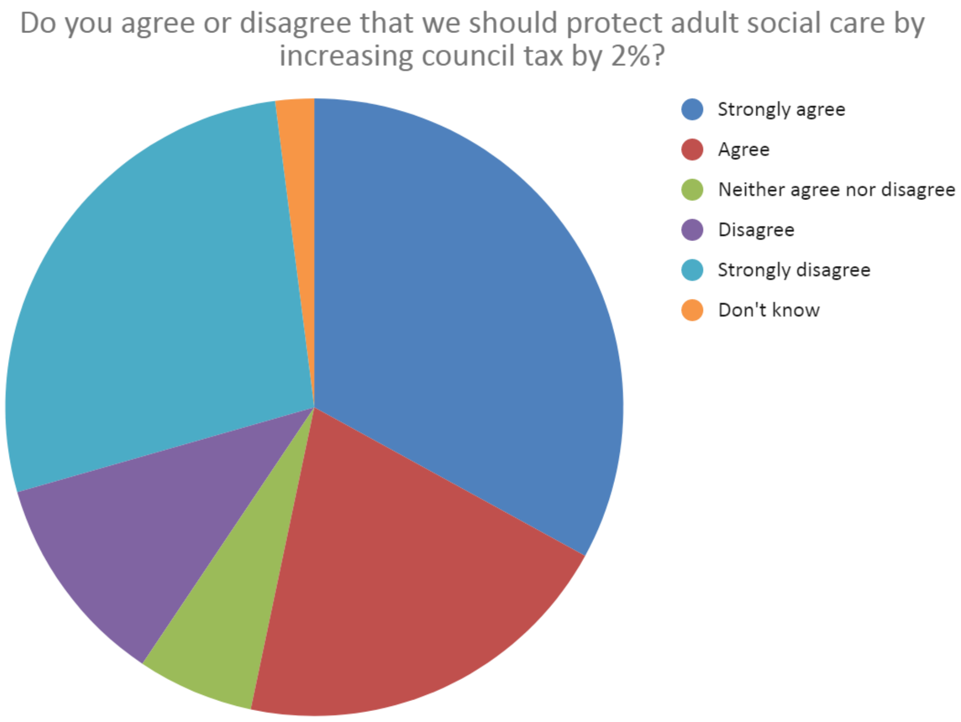
4.2 200 people completed the consultation questionnaire, 168 online and 32 filled in and returned a printed copy. Whilst this is a much lower response rate when compared to the 2017/20 consultation, this budget consultation is on council tax increases, with a general request for comment, rather than a consultation on budget cuts, closures and savings which would usually generate more interest, engagement and comment.

5.0 Consultation questionnaire analysis

5.1 Q1 & Q2 Increasing council tax by 2% to protect adult social care.
In question 1, members of the public were asked in a closed question whether or not they ‘agree or disagree that we should protect adult social care by increasing council tax by 2%’. 53% of respondents agreed (33% strongly agree and 20% agree). 11% disagreed and 27% strongly disagreed. See table 1 below.

Table 1

Do you agree or disagree that we should protect adult social care by increasing council tax by 2%?			
Answer Choice		**Response Percent**	**Response Total**
1	Strongly agree	33.0%	65
2	Agree	20.3%	40
3	Neither agree nor disagree	6.1%	12
4	Disagree	11.2%	22
5	Strongly disagree	27.4%	54
6	Don't know	2.0%	4
		answered	**197**
		skipped	**5**



5.2 Respondents were also presented with a free text field to leave comments. In their comment, each respondent could include one or several suggestions. Overall, 107 suggestions were provided in response to this question by 81 respondents. These are shown in Graph 1 below.

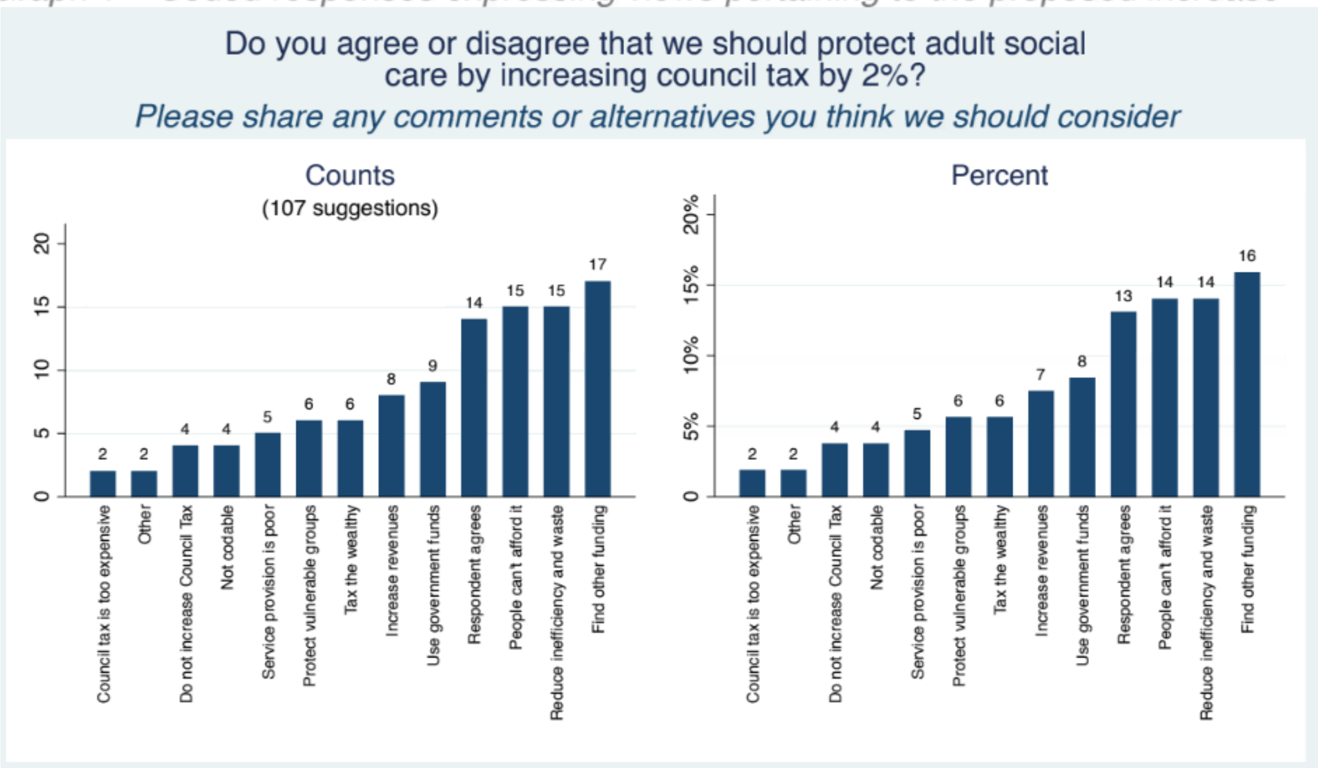
5.3 16% (17 suggestions) suggested finding alternative funding from within the Council's existing funds, with an additional 14% (15 suggestions) suggesting reducing waste and inefficiency in the use of existing funds. Moreover, 7% (8 suggestions) suggested that MCC revenues should be increased (through fines or events). Finally, 5% (5 suggestions) mentioned that current service provision is poor.

5.4 14% (15 suggestions) expressed concern that people won't be able to afford the increase, with an additional 2% (2 suggestions) suggesting that Council Tax is too expensive. 4% (4 suggestions) of respondents simply stated that Council tax should not be increased. 13% (14 suggestions) stated their agreement with the increase.

5.5 8% (9 suggestions) mentioned that government funds should be used. A further 6% (6 suggestions) mentioned that vulnerable groups should be protected.

5.6 As seen in Graph 1 below, of the overall number of responses, 4 responses could not be coded or were not relevant (responses that were out of context, unintelligible or presented particular situations without actually addressing the issue under consultation).

Graph 1 – Coded responses expressing views pertaining to the proposed increase



5.7 Overall, 36% of suggestions were given by individuals who were in favour of the proposal. Of those respondents who agreed with the proposal, the following suggestions were made:

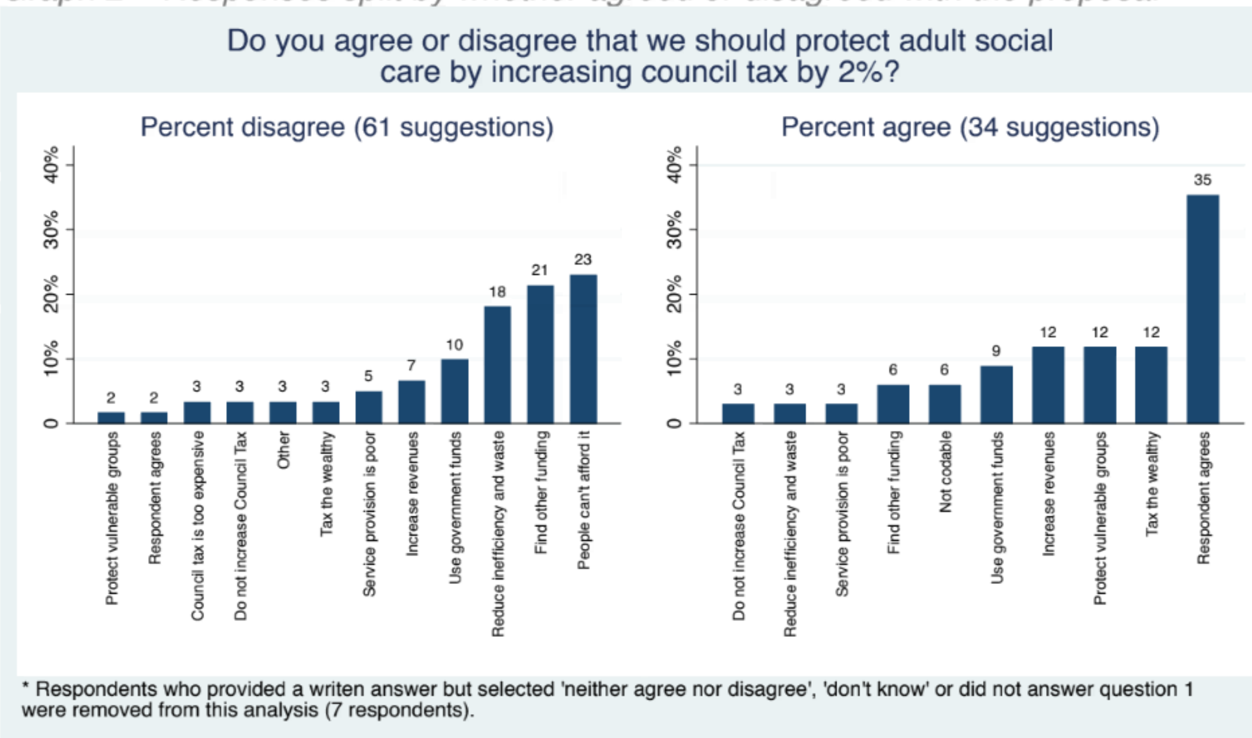
- 35% (12 suggestions) restated their agreement
- 12% (4 suggestions) suggested taxing the wealthy
- 12% (4 suggestions) suggested that MCC should increase revenues
- 12% (4 suggestions) mentioned that vulnerable groups should be
- protected
- 9% (3 suggestions) suggested using government funds,

- 6% (2 suggestions) suggesting finding alternative funding from within the Council's existing funds

5.8 Of those respondents who disagreed with the proposal (see Graph 2), the following suggestions were made:

- 23% (14 suggestions) said people will not be able to afford the increase
- 21% (13 suggestions) suggested finding alternative funding from within the Council's existing funds
- 18% (11 suggestions) focused on the need to reduce inefficiency and waste
- 10% (6 suggestions) mentioned using government funds

Graph 2 – Responses split by whether agreed or disagreed with the proposal

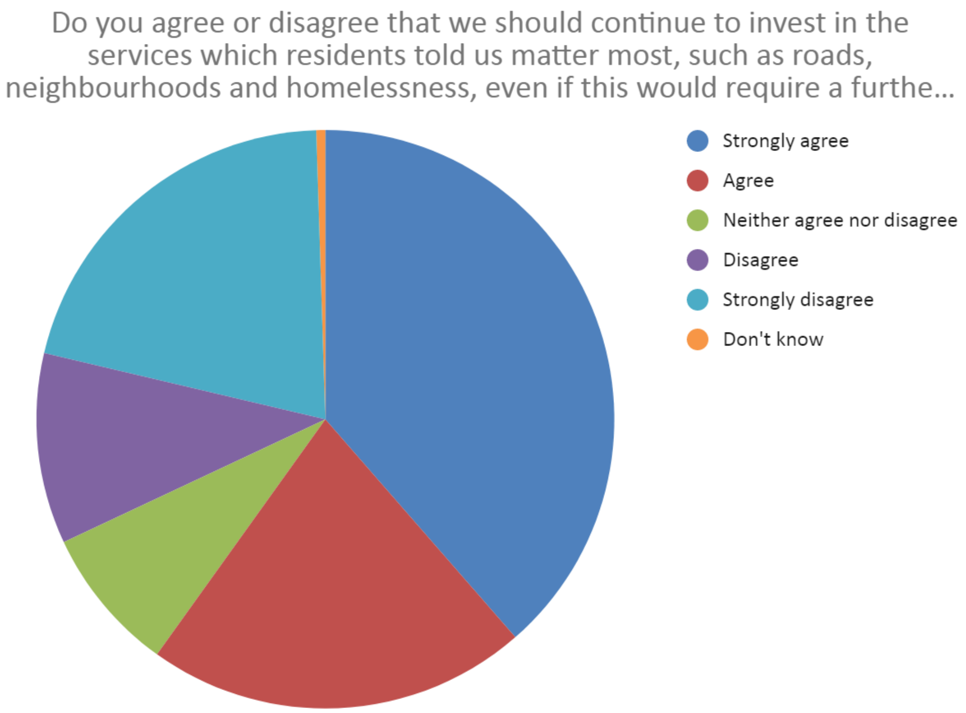


5.9 Q3 & Q4 Manchester City Council should continue to invest in the services which residents told us matter most, such as roads, neighbourhoods and homelessness, even if this would require a further 1.99% increase in council tax?

In Question 3, members of the public were asked in a closed question whether or not they agree or disagree that Council Tax should be increased by a further 1.99% to invest in roads, neighbourhoods and homelessness. Almost 60% agreed (39% strongly agreed and 21% agreed). 11% disagreed, 22% strongly disagreed.

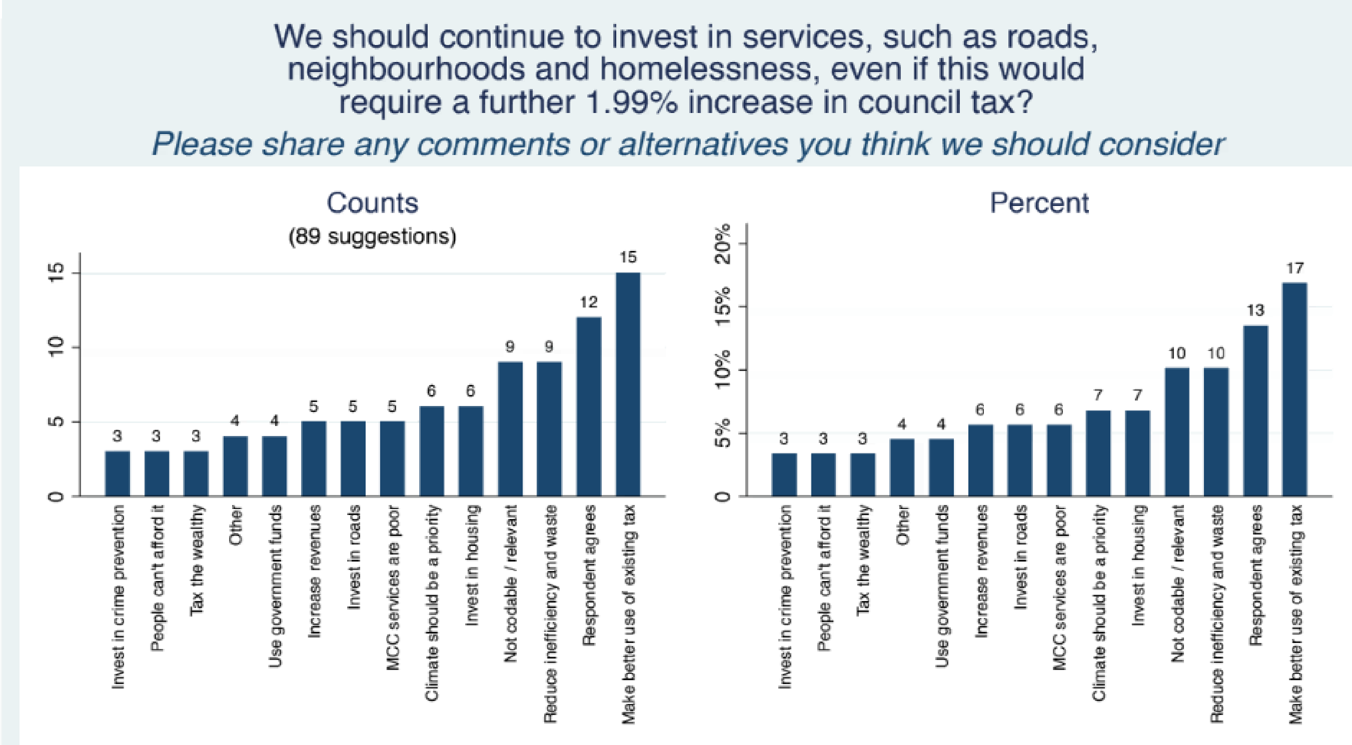
Table 2

Do you agree or disagree that we should continue to invest in the services which residents told us matter most, such as roads, neighbourhoods and homelessness, even if this would require a further 1.99% increase in council tax?			
Answer Choice		**Response Percent**	**Response Total**
1	Strongly agree	38.6%	76
2	Agree	21.3%	42
3	Neither agree nor disagree	8.1%	16
4	Disagree	10.7%	21
5	Strongly disagree	20.8%	41
6	Don't know	0.5%	1
		answered	**197**
		skipped	**5**



5.10 All those who participated in the consultation were provided space to leave comments. In their comment, each respondent could include one or several suggestions. Overall, 89 suggestions were provided by 77 respondents. These are shown in Graph 3.

Graph 3 – Coded responses expressing views pertaining to the proposed increase



5.11 17% (15 suggestions) mentioned making better use of existing tax. A further 10% (9 suggestions) suggesting that inefficiency and waste should be reduced, while another 6% (5 responses) mentioned that MCC services are poor. Finally, 6% (5 responses) suggested increasing revenues.

- 13% (12 suggestions) stated their agreement with the increase
- 7% (6 suggestions) suggested investing in housing to tackle homelessness
- while investment in roads was mentioned by 6% (5 suggestions)
- 7% (6 suggestions) mentioned that climate should be a priority
- 4% (4 suggestions) argued that government funds should be used
- 3% (3 suggestions) mentioned investment in crime prevention

5.12 As seen in Graph 3, there were a number of other suggestions such as taxing the wealthy (3% - 3 suggestions) and the fact that people cannot afford the increase (3% - 3 suggestions).

5.13 Finally, 9 responses were not codable or not relevant (responses that were out of context, unintelligible or presented particular situations without actually addressing the issue under consultation).

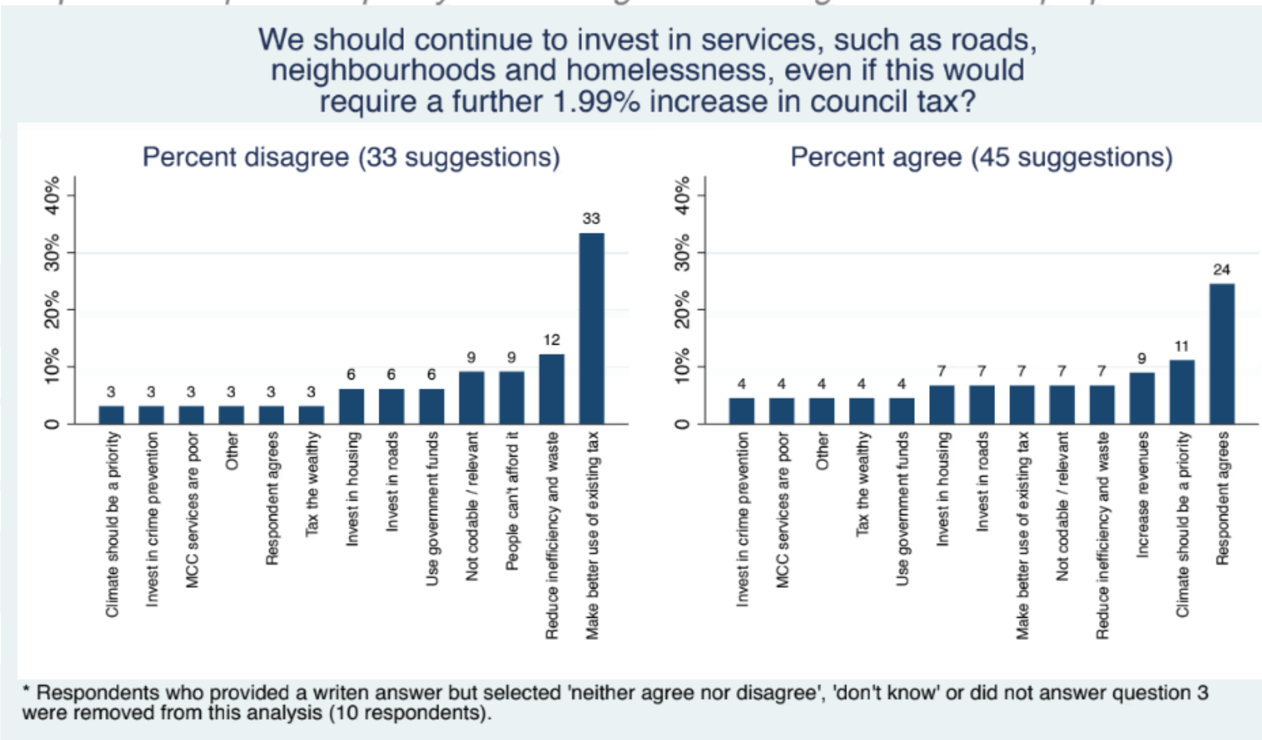
5.14 Graph 4, below, displays the suggestions by whether respondents agreed or disagreed with the additional increase (question 3).

5.15 Overall, 58% of suggestions were given by individuals who were in favour of the proposal (agreed or strongly agreed with the increase). Among the suggestions provided by respondents who agreed with the additional 1.99% increase to Council Tax:

- 24% (11 suggestions) simply restated their agreement
- 11% (5 suggestions) mentioned that climate should be a priority

5.16 With regard to those respondents who disagreed with the proposal, 33% (11 suggestions) suggested that MCC should make better use of the existing tax.

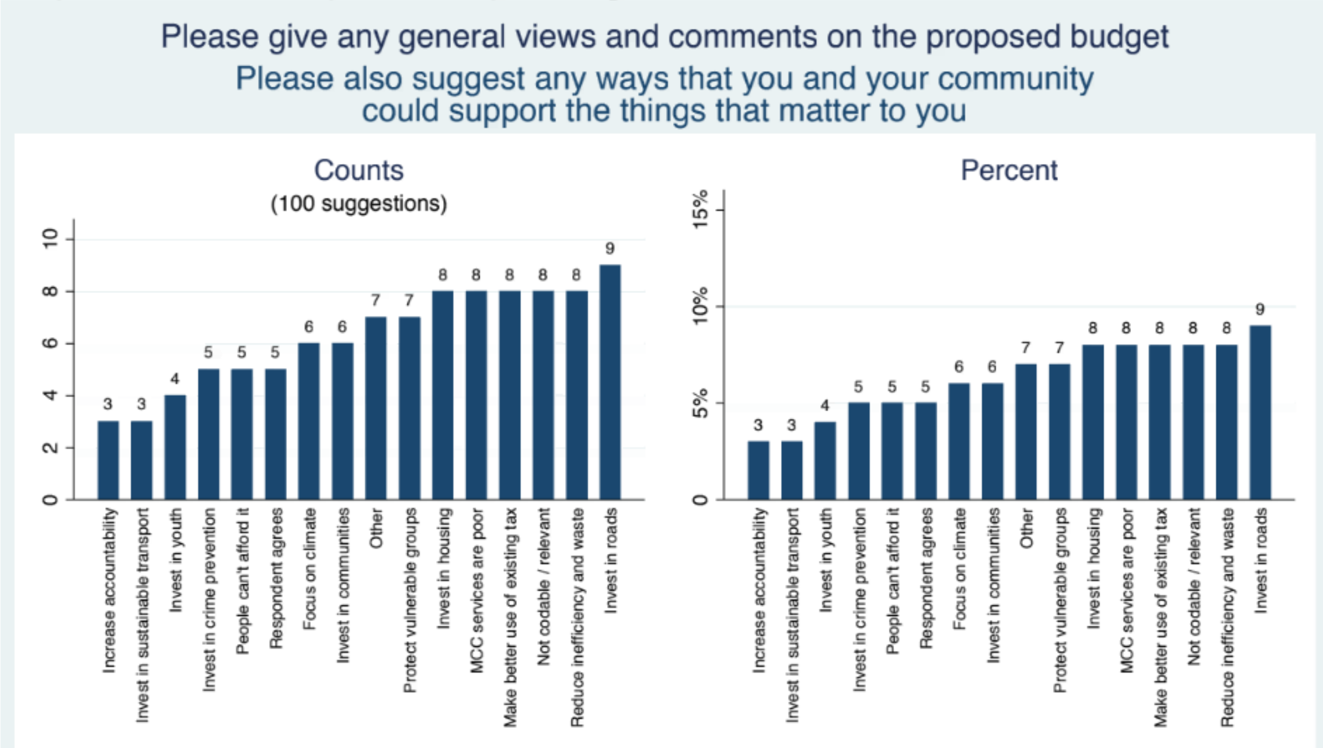
Graph 4 – Responses split by whether agreed or disagreed with the proposal



5.17 Q5 Please give any general views and comments on the proposed budget. Please also suggest any ways that you and your community could support the things that matter to you.

In question 5, members of the public were given space to provide general comments or views on the budget options. In their comment, each respondent could include one or several suggestions. Overall, 100 suggestions were provided by 89 respondents. These are shown in Graph 5.

Graph 5 – Coded responses expressing views



5.18 The results displayed in Graph 5 show that:

- 27% (27 suggestions) refer to the activity and performance of Manchester City:
    - 8% (8 suggestions) suggest reducing inefficiency and waste
    - A further 8% (8 suggestions) suggested making better use of existing tax
    - A further 8% (8 suggestions) mentioned that MCC services are poor
    - 3% (3 suggestions) mention the need to increase accountability and transparency in the use of public funds

- 33% (33 suggestions) mention the need for investments in various areas:
    - 9% (9 suggestions) mention a need to invest in roads
    - 8% (8 suggestions) mention a need to invest in housing as a way of tackling homelessness
    - 6% (6 suggestions) mention a need to focus on climate related issues
    - 6% (6 suggestions) mention a need to invest in communities
    - 5% (5 suggestions) mention a need to invest in crime prevention
    - 4% (4 suggestions) mention a need to invest in youth
    - 3% (3 suggestions) mention a need to invest in sustainable transport (bus lanes, cycling, etc.)
- 7% (7 suggestions mention a need to protect vulnerable groups.
- 5% (5 suggestions) mention that people will not be able to afford the proposed increases.
- 5% (5 suggestions) mention their agreement with the increases.
- Finally, 8 responses were not codable and a further 7 responses did not fit in any of clear categories (these were included in ‘other’).

6.0 Demographic and equality data

6.1 The demographic characteristics of the respondents to the survey were compared to those of the resident population in Manchester.

6.2 The consultation received a spread of respondents from across the city. However, analysis shows that the consultation was over represented by respondents in Central Manchester. 30% of respondents were from wards in Central Manchester, which make up 21% of the city's population. The consultation was under represented by respondents in North Manchester with 23% of respondents in the North, which make up 37% of the city's population.

Locality	Budget Responses	MCR comparator %
North	23%	37%
Central	30%	21%
South	47%	42%

6.3 Respondents aged 40-49 and 50-64 years were over represented in the consultation as has been the case in previous consultations. Those aged 16-25 were underrepresented, but less so than in previous consultations (10% vs 3% in 2017). As would be largely expected, there were no responses from children aged under 16.

Age Group	Budget Responses	MCR Comparator
Under 16	0%	20%
16 - 25 years	10%	20%
26 - 39 years	34%	26%
40 - 49 years	23%	11%
50 - 64 years	24%	13%
65 - 74 years	9%	5%
75 + years	1%	4%

6.4 As regards ethnicity, White British respondents were overrepresented at 81% compared to 59% of the city's population. Asian / Asian British; Pakistani (3% vs 9%), Asian / Asian British; Chinese (0% vs 3%), Black / African / Caribbean / Black British; African (2% vs 5%) and White & Black African (0% vs 1%) respondents continue to be underrepresented. A full demographic analysis is provided in Appendix 1.

7. Conclusion

7.1 Members are asked to note the results of the consultation and the information provided in the report.

Appendix 1 Demographic analysis

Ethnicity	Budget Responses	MCR Comparator
Asian / Asian British; Bangladeshi	1%	1%
Asian / Asian British; Chinese	0%	3%
Asian / Asian British; Indian	2%	2%
Asian / Asian British; Kashmiri	0%	0%
Asian / Asian British; Pakistani	3%	9%
Asian / Asian British; Other Asian	0%	2%
Black / African / Caribbean / Black British; African	2%	5%
Black / African / Caribbean / Black British; Caribbean	1%	2%
Black / African / Caribbean / Black British; Somali	0%	0%
Black / African / Caribbean / Black British; Other Black	1%	1%
Mixed / Multiple Ethnic Groups; White and Black Caribbean	2%	2%
Mixed / Multiple Ethnic Groups; White and Black African	0%	1%
Mixed / Multiple Ethnic Groups; White and Asian	0%	1%
Mixed / Multiple Ethnic Groups;Other Mixed	2%	1%
White; English/Welsh/Scottish/Northern Irish/British	81%	59%
White; Irish	4%	2%
White; Gypsy or Irish Traveller	0%	0%
White; Other White	2%	5%
Other Ethnic Group; Any other Ethnic Group	1%	3%

Manchester City Council
Report for Information

Report to: Executive – 12 February 2020

Subject: Equality Impact Assessments

Report of: Deputy Chief Executive and City Treasurer

Summary

This report reviews a selection of the Equality Impact Assessments (EIAs) produced in support of the Council's business planning process for 2019/2020. It outlines the context of why the Council undertakes EIAs and some of the key themes emerging from the business priority-related analyses produced in the last year.

The report also describes changes to the Council's approach to business planning for 2020-21, and the implications for how equality impacts will be considered both within the plan and how the process of producing EIAs will be managed moving forwards.

As the financial settlement for 2020-21 largely represents a roll-over settlement for the Council, the report does not relate to any new budget-related consultations with EIAs attached.

Recommendation

Members are invited to note, consider and comment on the report.

Wards Affected: All

Environmental Impact Assessment - the impact of the issues addressed in this report on achieving the zero-carbon target for the city
EIAs will be produced if actions arising from the Council's Climate Change Action Plan have a disproportionate impact on certain communities. The plan will recognise that climate change will have differential impacts on communities across the city, for example in terms of poor air quality and more frequent incidences of extreme weather.

Manchester Strategy outcomes	Summary of how this report aligns to the OMS
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	

A highly skilled city: world class and home grown talent sustaining the city's economic success	
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	EIAs are a vital component of how the Council has due regard for equality and equitability in its decision making processes. Communities and customers are the focus of the EIAs and the analysis allows the Council to safeguard and enhance community potential and wellbeing in the delivery of its business.
A liveable and low carbon city: a destination of choice to live, visit, work	
A connected city: world class infrastructure and connectivity to drive growth	

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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.

1. *Refreshed Business Plans – Equality Impact Assessments (EIAs)*, Communities and Equalities Scrutiny Committee, 7 February 2019
2. *Equalities Performance Management*, Communities and Equalities Scrutiny Committee, 7 March 2019

1. Introduction

1.1 Manchester has a proud history of championing equality and has been at the forefront of some of the country's most significant diversity-related work for decades. Against this backdrop, the Council has provided strong leadership on equality, diversity and inclusion (EDI) in the development and delivery of its functions, to ensure that Manchester's residents benefit from an accessible, appropriate, fair and satisfactory experience of the Council's services. The organisation's commitment to EDI sits against a complex backdrop of political, social and financial challenges and opportunities which underline the importance of focusing on Manchester's diversity and stakeholders of all identities, in support of the aims of the Our Manchester Strategy.

1.2 The Council's key tool to assess how its functions interact with the numerous and diverse communities that use them is the Equality Impact Assessment (EIA) framework. The Council has had a consistent approach to EIAs for over a decade, which has been recognised in that time (by the Equality Framework for Local Government peer reviews in 2015 and 2018) as being robust, resilient to challenge and fit for purpose.

1.3 The completion and consideration of an EIA ahead of making a business decision enables a service to understand the impact that its proposals and priorities will likely have on people identifying with one or more of the protected characteristics defined by the Equality Act 2010. In doing so, it enables the Council to demonstrate due regard for equality and fulfil one of its numerous requirements against the Public Sector Equality Duty.

1.4 A range of EIAs are produced by the Council throughout the year as its 'business as usual', which include those highlighted by the business planning process as being relevant to Council priorities. Business planning related EIAs have, for the last few years, been listed in Directorates' Equality Delivery Plans (as an appendix of the main business planning document). This report updates on a selection of the EIAs that the Council committed to produce in the 2019-20 business planning process. It does not, however, provide a detailed update on all 33 business planning related EIAs.

1.5 Following a review of the business planning process in 2019, the Council's approach has been refined and streamlined. From 2020-21 onwards, the Council will produce a single Our Council Business Plan document for the whole organisation. As a consequence, the requirement to produce Directorate Equality Delivery Plans and therefore lists of EIAs has been removed. This report will outline the revised way that EDI priorities are built into the business planning process and the opportunity that this provides regarding EIAs going forwards.

2. Update on 2019-20 EIA Activity

2.1 In 2016 the Council determined that including a list of EIAs for the coming year, aligned to priorities highlighted in Directorates' Equality Delivery Plans, would give some assurance that key Council priorities were being progressed with due regard for equality. Whilst this remains correct in principle, in the ensuing period officers have recognised some important trends:

1) that the EIAs listed in the Delivery Plans do not represent the totality of the EIAs undertaken by Directorates, most of which are identified during the financial year rather than at the start of it;
2) that there are other priorities, projects and Council functions that would require an EIA which are not listed within the Equality Delivery Plans and consequently, compliance with the EIA framework in these instances is difficult to track and govern, and;
3) that producing a 12 month plan of EIAs does not take into account the variables that often affect Council functions (i.e. in-year changes to the funding or business opportunities, altered time-scales, external influences).

2.2 This third point is particularly applicable to a number of the listed 2019-20 EIAs. In some cases, analyses could not be completed or were intentionally deferred due to a range of unforeseen circumstances, for example:

- The EIA for the Factory project could not be completed due to slippage in the timescales for the project delivery, with the completion of the EIA now moving later into 2020-21;
- An EIA for Public Space Protection Orders (PSPO) was drafted but has not been signed off, as a decision has not yet been made about the city centre PSPO. The service is continuing its work on this into 2020-21;
- The EIA for the Homelessness Service's Procurement of Dispersed Temporary Accommodation became no longer applicable, as the service was not successful in securing a suitable provider for this function and there is not an intention to re-tender for this in the next 12 months;
- An EIA for Council Tax Support Scheme was not completed as the scheme has not been changed for 2020/21. The service will review the scheme during the next financial year and any changes will be subject to a full consultation exercise and EIA at that time;
- An EIA for the Refreshed Waste Strategy was not completed as the service proposal was deferred due to changes in national government timescales.

2.3 In a small number of cases (i.e. the refurbishment of Alexandra House, the Passageway Communal Collection Scheme), analyses have been commenced but due to the iterative or phased nature of the projects they relate to, these are ongoing.

2.4 In the main, the EIAs outlined in the 2019-20 Equality Delivery Plans have been completed. As an objective process of analysis, these EIAs satisfy the requirement to have due regard for equality in the exercise of Council functions, without necessarily directly leading to any positive change. Reading across the completed EIAs though, it becomes apparent a) that there are some emerging themes which can inform the Council's future work in this area, and b) in the course of producing their EIAs, services have implemented some good, inclusive practice as outlined below.

2.5 Engagement

2.5.1 EIAs are commonly based on existing data and research, but are sometimes enhanced by more qualitative information, such as that arrived at through a process of engagement with key stakeholders. This engagement may be in relation to the EIA itself, or more often, in relation to the service change that the EIA is assessing. In a couple of instances arising from the 2019-20 schedule of EIAs, services have used engagement not only to test the potential impacts of a proposed service change, but have extended this to a co-design process which has been mutually beneficial for the service and the stakeholder groups involved.

Case Study: Highways

Highways has produced a schedule of projects and work programmes focusing on major improvements involving cycling and walking infrastructure, which have been subject to EIAs. The substance of the EIAs has been enhanced through what is now regular engagement with the Disability Design Reference Group (DDRG); an independent group of disabled people who consult on built environment projects in Manchester, originally working with Transport for Greater Manchester on improvements to the Metrolink service. Highways take schemes to DDRG meetings at the earliest opportunity, presenting the proposal and listening to comments and feedback of DDRG.

For the A6 Stockport Road scheme, for example, Highways obtained a number of important views from the DDRG which were factored into the EIA and ultimately, into the scheme design. Whilst the DDRG sought Greater Manchester standard for a cycle scheme layout, which was beyond the remit of the Council's Highways service, it was possible to design in improvements to the way that crossings are highlighted to cyclists (with the use of specialist corduroy paving) to reduce the risk of disabled and / or older people coming under harm when crossing cycle lanes.

Highways continue to streamline the way it work with the DDRG, in recognition of the value that the group adds to the service's work. Highways are learning from the methods, materials and styles that other local authorities have used when working with the DDRG and are, wherever possible, sharing schemes at the concept stage for early input. Following early engagement, Highways are then returning to DDRG with a developed scheme and tying this into the wider consultation phase for the scheme.

The engagement and production of EIAs based on DDRG feedback continues. For the Princess Road / Mancunian Way scheme, a 3 dimensional video model of the proposed scheme has been developed with a drone survey. A tactile model has also been produced (a drawing made into 3D with texture, colours, trees, etc.) which will help to bring the scheme design for the Northern Quarter route to life for DDRG more than typical engineering drawings could.

For the Mancunian Way scheme, Highways are organising a site visit for the DDRG members so they can see how the scheme is progressing and experience the scheme on the ground.

Case Study: VCSE Infrastructure Contract Review

The Council has funded infrastructure support services for community and voluntary groups in the city for a number of years. Following the introduction of the Our Manchester Voluntary Community Sector (OMVCS) Grants Programme and team ('OM Funds Team') in 2018, it was agreed that the OM Funds Team would work on behalf of the Council with Manchester Health & Care Commissioning (MHCC) to conduct a joint review of their VCSE infrastructure contracts. It was also agreed that a co-design process for the specification of the new infrastructure contract should commence. This enabled the re-design and procurement of the new VCSE infrastructure service contract to be transparent, equitable, and based on the Our Manchester principles and approach which puts co-design with the VCSE sector at its heart.

The co-design process built on previous feedback and learning, which outlined the importance of an open and inclusive process with a diverse range of voices. In doing this, the aim was to both avoid any disproportionately adverse impact on an equalities characteristic throughout the process, and to ensure that the provider of the new infrastructure contract pays due regard to all protected groups. Opportunities for consultation, engagement and feedback from the sector has been purposely designed into the process to achieve this.

In addition to involving the Council's Equality, Diversity and Inclusion Manager in the co-design process, a range of interest groups were represented by VCSE organisations involved in the process (for example Breakthrough UK Ltd, Manchester BME Network). Taking feedback from these stakeholders on the infrastructure review overall, and specifically in relation to the needs and priorities of the interest groups represented, provided a rich evidence-base on which to draw in the production of the related EIA and resulted in a set of recommendations which were consulted on with Manchester's wider VCSE, as part of the commitment to include the voices of the sector throughout the re-design process.

As well as ensuring equalities input at the co-design stage, due regard for equality was built into the assessment process, achieved through the membership of the panel and through the assessment of the responses to the questions which included the above.

The EIA found that due regard had satisfactorily been paid and further diversity considerations had been given throughout the process of co-design and awarding of the VCSE infrastructure contract. Whilst the EIA did not identify any disproportionate impacts on any characteristic group, the contract will be managed in order to ensure implementation of the specification, including those with specific reference to equalities issues.

2.6 Neutral Impacts and Relevance Assessments

2.6.1 Much like the VCSE Infrastructure Contract EIA, several 2019-20 equality analyses have identified that, whilst the function being assessed is applicable or available to a whole host of people identifying with protected characteristics, the nature of the function is neutral. This means that the analysis has identified no disproportionately disadvantageous or advantageous impact. This is often the case for process-focused analyses of back-office, support functions, such as the Shared Cost Additional Voluntary Contributions scheme and Counter-fraud Investigations and Prosecutions.

2.6.2 In these latter two cases, it was possible for the HROD service and the Audit and Risk Management service respectively to make use of the Council's Relevance Assessment toolkit. This lighter touch version of the EIA toolkit allows services to establish whether their function will have a likely impact on one or more arm of the Equality Duty or protected characteristic where this is not immediately apparent. If the relevance assessment does identify a potential impact, services then progress to a fuller but more targeted EIA. Both services in this instance concluded that progressing to a full EIA was not necessary, as their functions did not satisfy the criteria laid out in the toolkit to do so.

2.6.3 The Council has had a relevance assessment component to its EIA framework for a considerable time, which is not necessarily the case for other public sector organisations in Greater Manchester or nationally. However, positive feedback from officers and a consistent use of the relevance assessment means that this aspect of the Council's approach to equality analysis will remain going forwards.

2.7 Partnership Approaches to Equality Analysis

2.7.1 As indicated above, it is common for different public sector organisations to have slightly different approaches to equality analysis. This is amply demonstrated in Manchester, with several different models of equality analysis in place across the health and social care system. They are linked, however, by all partners' common aim to have due regard for equality in their decision making processes.

2.7.2 The commonality of purpose offers some degree of consistency and reassurance in embedding inclusion at the heart of health and social care integration, but the differing models unavoidably create complexity in the management, governance and quality assurance of EIAs in this area. It is recognised by all partners involved that the complexity can form risks relating to duplication, gaps and consistency of quality which need to be addressed.

2.7.3 Working through the Inclusion and Social Value subgroup of the Manchester Locality Workforce Transformation Group, the Council, Manchester Health and Care Commissioning, Manchester Local Care Organisation, Manchester Foundation Trust, Greater Manchester Mental Health and the Christie aim to improve the systems, compliance and quality of EIAs in Manchester. Whilst each partner organisation will continue to have its own EIA tools, the group is working to establish a 'shared, system-wide approach to equality analysis'. This will ratify some of the current issues with how EIAs are manged and delivered across the system, with greater clarity around interdependencies and responsibilities. This work, currently in its early stages, will continue throughout 2020.

2.8 Mitigating Impacts

2.8.1 Only a small number of the 2019-20 EIAs identified potentially adverse impacts arising from the proposed change. In most cases, adverse impacts have been avoided by being designed out of the proposal in its early stages. The extent to which the production of an EIA has led to these service changes though, is not clearly described in those related to the 2019-20 business priorities and this will be considered in the Council's quality assurance measures going forward.

2.8.2 In those EIAs that did identify the potential for adverse impacts, services have consistently highlighted actions to mitigate this. The EIA on the Review of the Housing Allocations Scheme, for example, considered the addition of a new moving group definition to the scheme, agreed December 2019. The definition sets a restriction on who can be in a moving group and was introduced:

- to encourage larger moving groups who can live separately to be realistic about their housing options and consider applying for two or three smaller homes rather than one very large one, which will dramatically improve their chances of being rehoused, while;
- helping to ensure that the very few larger family homes that turn over each year are allocated to those who need them most, in particular, to moving groups that cannot reasonably be expected to be able to live separately, for example, because of caring responsibilities.

2.8.3 The EIA noted that the moving group definition could disproportionately impact on Asian or Asian British families, with service data showing a large number of these families applying for larger properties. The EIA encouraged the service to consider actions considered to mitigate the effect which included:

- Not to introduce the moving group definition: this was rejected as clearly failing to help achieve the objective of helping more people be housed in as short a time as possible, and;
- To include a specific exception for applicants of Asian heritage or background: this was rejected because the introduction of such a measure would compound existing allocations problems by making it less likely that other applicants could make successful bids

2.8.4 The EIA prompted the service to resolve to engage and communicate more clearly with the affected groups, explaining the rationale, the resulting options and the benefits in relation to more quickly resolving their housing needs. The service also introduced a measure for managers' discretion to be applied where it is necessary in these matters, recognising the need to apply the rule on a case by case basis.

2.9 Revised Approaches to Equality Analysis

2.9.1 The requirement to produce EIAs has, in some areas, prompted a broader evaluation of how inclusion is built into a service's approach, from the engagement-based work of Highways outlined above to a more systematic change such as that being introduced in Development.

Case Study: Embedding Inclusion in Development

The Head of Development is responsible for instructing the City Solicitor to conclude property transactions. The Development Team therefore are uniquely placed to ensure that as part of this instruction process, the provision of equality relevance assessments and where necessary, EIAs are factored into the decision making process. To ensure timely consideration of the relevant matters, the Development Team are to embed the statutory principles into the land allocation process, which will then be revisited if and when there is an instruction to transact land (either acquisition or disposal). The team will trial a 3 stage approach for a period of twelve months:

1) The relevance test will be undertaken as part of the initial land allocation process, which will be determined as part of the revised Site Allocation Group work. The Site Allocation Group considers and recommends the allocation and future use of surplus and non-operational Council owned assets. This will have regard to extant policies and any relevant EIAs. The terms of reference and attendance of the Site Allocation Group are about to be revised to reflect changes in wider governance structure and arrangements. This will provide the opportunity to embed these principles.

2) When projects come forward for approval, a more detailed consideration will be undertaken by the relevant governance body (Housing Board, Estates Board, Strategic Acquisitions Board etc).

3) The transaction stage of a project will act as a gateway for the relevance checks that have been undertaken at Stage 2 and the EIA if required.

This will deal with land transactions and developments where there is a land deal, however where projects relate to capital investment and there is no land transaction, the relevance checks and EIA will need to be provided to the relevant boards. This work will be trialled throughout 2020 and evaluated to inform the future model of equality analysis.

2.10 Affordable Housing Policy EIA

2.10.1 An update on the Affordable Housing Strategy 2025 was approved at Executive in September 2019 which outlined the future approach to delivering the programme. Serious consideration has been given to the approach to embedding equality, diversity and inclusion to ensure that all Manchester residents have equal access to homes that they can afford. Due to the scale of Manchester's proposed affordable homes programme, the Strategic

Housing function has revised its planned approach to Equality Impact Assessments.

2.10.2 It will now consider whether individual EIAs are required on specific schemes to replace the original approach of an overarching EIA for the strategy. The revised approach will be in line with the proposed Development Gateway Scheme (as detailed in the case study above) and will deliver a more bespoke and detailed assessment considering the demographics and needs of specific geographical areas and communities. Planning for the new approach will be complete by March 2020 and the programme of EIAs will begin in April.

2.10.3 In addition to this, there has been extensive work in Housing and Residential Growth throughout 2019-20 which demonstrates a strong commitment to inclusion. This is presented for consideration at Appendix 1.

2.11 There are some very positive signs here of equality, diversity and inclusion being positively and proactively considered across services, and of EIAs playing into the organisation's priorities and processes. The Council recognises that there is potential for the use of its EIA framework to grow and this reflects the local and national trend; it remains the case that some projects and priorities across the public sector are progressed without an EIA being factored in as a key contributor to effective and inclusive decision-making. The Council though, is committed to advancing its productivity and effectiveness in this area, as outlined in section 4 of this report.

3. Refreshed approach to Business Planning and EIAs

3.1 Our Council Business Plan replaces individual directorate business plans produced previously. The plan is structured around the Council's eight priority themes and has been produced following the development of 41 service plans which describe in more detail the achievements, priorities and activities of the 41 services which collectively make up Manchester City Council.

3.2 Whereas the Equality Delivery Plans, appended to the previous Directorate business plans, summarised the equality considerations of a relatively small number of services, the 41 service plans ask services to consider the extent to which their service priorities will affect different communities (including communities of identity) differently. As a result, a broader range of services have identified equality relevant themes and / or characteristics in their service plans, for example:

- Education will continue to reduce the gap in educational outcomes between Manchester and UK averages for all children, but with a specific focus on Special Educational Needs and Disability
- Libraries, Galleries and Culture will adapt the service offer to more effectively support older people, and will ensure all staff to become Dementia Friends and receive autism awareness training
- Children's Social Care aims to introduce ways for children's and young people's voices to have more influence in the decisions that affect them

- Registration and Coroners Service are preparing for implementation of new arrangements under the Civil Partnerships, Marriages and Deaths (Registration Etc) Act 2019
- Parks, Leisure, Youth and Events will commission and deliver a comprehensive programme of activities which engages all residents, but which particularly targets under-represented groups
- Community Safety will continue its work to strengthen community cohesion across Manchester's diverse communities, supporting partners and VCSE organisations to challenge hate, prejudice and extremism
- Parking Services will take effective action, including prosecution, in case of fraud and / or misuse of the disabled Blue Badge parking scheme
- School Catering Service continues to ensure cultural inclusivity for a range of diets with regard for religious and medical reasons
- HROD aims to deliver a more diverse workforce at all levels, particularly in relation to BAME and disabled employees

This approach gives a more representative indication of high level EDI relevance and has informed some of the activities and measures that sit beneath each of the eight priority themes.

3.3 The eight priority themes that form the spine of the Our Council Business Plan are, in no particular order of importance:

<u>Zero carbon Manchester</u>
Lead delivery of the target for Manchester to become a zero carbon city by 2038 at the latest, with the city's future emissions limited to 15 million tonnes of carbon dioxide:

- Work with the Manchester Climate Change Agency to develop a full action plan for the city by March 2020, setting out how the ambition will be met
- Ensure activities are delivered to reduce the Council's own direct emissions as part of this plan
- Contribute to improvements in air quality across Manchester required in the Clean Air Plan

<u>Young People</u>
From day one, support Manchester's children to be safe, happy, healthy and successful, fulfil their potential, and make sure they attend a school graded 'good' or better:

- Ensure all children have high-quality education
- Support more Manchester children to have the best possible start in life and be ready for school and adulthood
- Reduce number of children needing a statutory service
- Reduce the number of children growing up in family poverty

<u>Healthy, cared-for people</u>

Work with partners to enable people to be healthy and well. Support those who need it most, working with them to improve their lives:

- Support Mancunians to be healthy, well and safe
- Improve health and reduce demand by integrating neighbourhood teams, that are connected to other services and assets locally, delivering new models of care
- Reduce the number of people becoming homeless, and enable better housing and better outcomes for those who are homeless

Housing
Ensure delivery of the right mix of good-quality housing so that Mancunians have a good chance of quality homes:

- Accelerate and sustain the delivery of more housing
- Ensure the provision of enough safe, secure and affordable housing for those on low and average incomes

Neighbourhoods
Work with our city's communities to create and maintain clean and vibrant neighbourhoods that Mancunians can be proud of:

- Enable clean, safe, vibrant neighbourhoods

Connections
Connect Manchester people and places through good-quality roads, sustainable transport and better digital networks:

- Improve public transport and highways, and make them more sustainable
- Facilitate the development of the city's digital infrastructure, to enable delivery of transformed public services and support a thriving digital economy

Growth that benefits everyone
Boost the city's productivity and create a more inclusive economy that all residents can participate in and benefit from, and contributing to reductions in family poverty, as set out in the Our Manchester Industrial Strategy:

- Support good-quality job creation for residents, and effective pathways into those jobs
- Facilitate economic growth of the city

Well-managed Council
Support our people to be the best and make the most of our resources:

- Enable our workforce to be the best they can be through the Our People Strategy and Our Manchester behaviours
- Effectively plan our future budgets and balance our current budget, delivering savings, transformation of the organisation, reductions in

demand through reform, and generating income

3.4 The priorities articulate a clear and strong commitment to equality and inclusion across many areas, from reducing family poverty and homelessness, to increasing affordable housing options and promoting inclusive growth among others. This, in turn, highlights the need for these areas of work to be underpinned with good quality and timely equality analyses.

3.5 The breadth of priorities described here, in comparison with those previously outlined in the Directorate Equality Delivery Plans, offers an opportunity for the Council to complete a more comprehensive and robust set of EIAs against its business planning model than has been possible before.

3.6 Additionally, the priority areas are supported by a more overarching commitment to equality, diversity and inclusion within Our Council Business Plan. This describes the critical areas of focus to ensure that EDI continues to be advanced, and can be summarised as:

- Continuing to meet the requirements of the Public Sector Equality Duty
- Growing our knowledge and understanding of different people's experiences of Council services, to make these as fair and equitable as possible
- Refreshing our equality objectives to reflect our stakeholders' voices
- Strengthening our approach to EIAs, to include identity groups that are reflective of Manchester's key stakeholders
- Improving the representation, progression and workplace experience of our BAME and disabled employees, and further embedding an inclusive working environment for all our employees
- Continuing to work in partnership with and in support of Manchester's Voluntary, Community and Social Enterprise (VCSE) sector
- Delivering or supporting events and celebrations that promote the City's diversity of identities, cultures, traditions and languages
- Extending our partnership working on the EDI agenda

4. Strengthening the Approach to EIAs

4.1 As noted above, Our Council Business Plan has made a stated commitment to a strengthened approach to EIAs, which picks up on the opportunities stemming from the refreshed model of business planning. A programme of work to deliver this is already underway with revisions being made to the EIA toolkit; the refreshed toolkit will extend the range of groups to be analysed beyond the characteristics protected under the Equality Act 2010, to include for example ex-armed forces personnel, homeless people etc.

4.2 The revised approach will also strengthen the Council's governance and quality assurance measures around EIAs, as well as incorporating a more proactive and supportive way of training officers to complete them. This programme of work will be incrementally delivered throughout 2020-21.

4.3 This work sits within the wider context of strengthening approaches to EIAs across the health and social care system in Manchester, as outlined at 2.7.3.

5. Conclusion

5.1 The EIAs undertaken in support of the Council's priorities, and the associated work and initiatives that play into this which have been highlighted above, serve to reinforce the central role that equality, diversity and inclusion have in the design, development and delivery of the Council's functions. Work in this area in 2019-20 builds on that of the previous year, both with regard to the quantity and quality of analyses completed.

5.2 It is acknowledged that there are challenges to be resolved in the Council regarding the governance and management of EIAs, just as there are across the public sector. However, the organisation's commitment and that of its partners to further embed good practice on equality analysis, and the opportunities presented by a refreshed approach to embedding equality in the business planning process, point to a strengthened position in Manchester over the coming year.

APPENDIX 1: Housing and Residential Growth Equalities Update

Progress to date 2019/20

Housing and Residential Growth's continued commitment to ensuring all residents benefit from the city's investment in housing and neighbourhoods is evident in the number of housing projects being developed to meet specific needs and the way learning from this is being embedded in new large scale projects.

The age friendly element of the Northern Gateway development continues to evolve in partnership with Age Friendly Manchester, academics and practitioners. MICRA (Manchester Institute for Collaborative Research on Ageing, part of the University of Manchester) has carried out original research for the development. The subsequent findings and recommendations will inform the Northern Gateway project and lay the foundations for the learning to be rolled out across other projects in the city. This will create more neighbourhoods with age friendly design embedded from the very beginning.

During 2019, Housing and Residential Growth have continued to work with registered housing providers (RPs) to deliver accommodation to meet specific housing requirements. Manchester's Extra Care development programme, giving greater housing choice for older people, has progressed well. Five of the seven schemes in the programme are under construction. Four of these are scheduled for completion in 2020, providing an additional 223 extra care apartments, and the fifth, a large scheme of 106 apartments, will come on line in late 2021. Following need analysis and consultation, the gap in accessible accommodation for older people in Newton Heath will be met by a new development of MCC owned age exclusive apartments on Silk Street, plus a new extra care scheme on Millwright Street.

The developments will complement an existing sheltered scheme and all older people in the area will be welcomed into, and encouraged, to use the communal facilities at the extra care scheme, creating a focal point for the older community. The former hospital on the site purchased for the LGBT extra care scheme on Russell Road in Whalley Range has now been demolished and the design process with the LGBT and local communities will begin following the appointment of a managing RP. Work has begun with the LGBT Foundation to develop an LGBT Affirmative quality kite-mark (Pride in Practice) for all extra care schemes in the city.

Of the four new supported accommodation schemes for citizens with learning disabilities, three schemes, totalling 50 apartments, have their first occupants. Feedback from tenants, families and advocates has been extremely positive and the residents are beginning to settle into and make connections with their new communities. The final 20 apartment scheme is due for completion in January 2020. In response to winter pressures, the 10 apartment scheme at Dalbeattie Street in Harpurhey is being used temporarily for hospital discharge for homeless people who have experienced a significant change in health. Support staff at the scheme enable them to stabilise and improve their health following discharge and begin the process of preparing to move to appropriate, accessible accommodation.

The larger property acquisition project, a partnership between the council and RPs, is gathering momentum. Set up to reduce the number of large homeless families waiting for long periods in temporary accommodation, this project enables the families to move to suitable, settled accommodation. In establishing a permanent home, the social, educational and health outcomes for the children in these families greatly improve.

At a citywide level, the review of the city's social housing allocation policy included extensive consultation and engagement. The EIA was completed and identified one potential, relatively disproportionate impact on Asian/Asian British families in respect of the new definition of who can be in a moving group as this broadly excludes adult children. However, if adult children have lived at home continuously they will qualify as part of the moving group and the impact will, therefore, not be as significant as anticipated. The mitigation for this is increased and more effective communication regarding the improved prospects of rehousing for smaller moving groups will be provided and management discretion will be applied where appropriate.

The increased target for new affordable housing in the city has focussed resources on driving delivery. The accompanying strategy and scheme EIAs will be started during 2020/21 and will continue as appropriate through the delivery of the programme. The team will also be supporting Adult Services to develop a new supported housing strategy to improve housing choice for citizens with specific needs or vulnerabilities.

Manchester City Council
Report for Resolution

Report to: Executive – 12 February 2020

Subject: City Centre Transport Strategy Engagement Outcomes

Report of: Strategic Director (Growth and Development)

Summary

This report informs Members of the outcomes of an engagement and co-design exercise that has taken place through a number of workshops with key stakeholders on the proposals for a revised City Centre Transport Strategy. A new strategy is now needed to provide the framework to support the city's future growth and development and to align with the 2040 Transport Strategy developed for Greater Manchester as a whole. The co-design and engagement process is described, as is the framework for the future strategy and the proposed next steps.

Recommendations

The Executive is recommended to:

1. Note the intention to produce a revised City Centre Transport Strategy (CCTS).

2. Note the outcome of the engagement exercise on the CCTS, and agree the suggestion to hold a wider public consultation on the draft strategy in 2020.

3. Delegate authority to the Head of Local Planning and Infrastructure, in consultation with the Leader of the Council and Executive Member for Environment, Planning and Transport, to finalise with Salford City Council and Transport for Greater Manchester the draft strategy document and the terms of the consultation on the draft CCTS.

4. Request that a report is brought back to a future meeting of the Executive on the outcomes of the consultation and seeking approval for the final version of the City Centre Transport Strategy.

Wards Affected – Ancoats and Beswick, Ardwick, Cheetham, Deansgate, Hulme and Piccadilly.

Environmental Impact Assessment - the impact of the decisions proposed in this report on achieving the zero-carbon target for the city
The revised City Centre Transport Strategy will set the strategic framework for how people will travel into and out of the city centre and how they will move within the city centre. It will set out proposals to further enhance the city's public transport network

and reduce car based trips over the longer term period, leading to the overall share of public transport, cycling and walking trips increasing as the preferred modes of travel. This will contribute to the city's and Greater Manchester's zero-carbon targets by increasing non-motorised trips and increasing the usage of public transport. The proposals will aim to reduce emissions and improve air quality on some of the currently most heavily polluted streets in the city centre.

Our Manchester Strategy outcomes	**Contribution to the strategy**
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	The updated city centre transport strategy will need to provide the capacity needed to underpin growth and support the creation of new jobs in the city. Investment in city centre streets and the city's transport functions will support growth of the economy and maximise the competitiveness of the city.
A highly skilled city: world class and home grown talent sustaining the city's economic success	The updated strategy will support the delivery of projects that will create high quality employment opportunities in the city and will support growth in a range of key sectors of the economy. Improving infrastructure and unlocking regeneration opportunities will attract new investment, boosting the local economy and providing new jobs for Manchester residents. Improved public transport and walking and cycling routes to the city centre can help residents to access jobs and training opportunities located there.
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	The developing strategy and the engagement exercise outlined in this report responds to the 2018 conversation exercise. The strategy will support the enhancement of the transport network serving the city centre, and through initiatives such as better ticketing. Reform to the delivery of local bus services will open up opportunities for communities across the city. Improving city centre travel and connections to other places supports inclusive development and employment growth.
A liveable and low carbon city: a destination of choice to live, visit, work	Efficient, high quality transport systems coupled with a strong sense of place will ensure Manchester continues to be a highly attractive and enjoyable visitor destination, and continues to appeal to a diverse range of people living and working in the city centre. Proposals to reduce congestion and improve air quality will help achieve a cleaner and greener city, highlighted by respondents as an

	important issue. Improved freight and public transport, and a reduction in car based trips contributes towards Manchester's ambition to be a zero carbon city by 2038 at the latest.
A connected city: world class infrastructure and connectivity to drive growth	Improvements to connectivity are central to the plans to refresh the strategy. World class infrastructure will attract international investment and promote a globally successful city. The strategy will deliver proposals to improve transport integration across Greater Manchester, making it easier for people getting into and moving around the city centre.

Full details are in the body of the report, along with any implications for

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

Staff resources will be required to run the consultation process. The City Council provides revenue funding to help support the planning, running and subsidising of transport services in the city centre.

Financial Consequences – Capital

It is expected that capital funding to invest in transport infrastructure as proposed in the revised CCTS will be met from the Greater Manchester Combined Authority (GMCA) capital programme.

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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.

- Transport Strategy for Manchester City Centre 2010

- Report to Executive 28 July 2010 Consultation on Transport Strategy for Manchester City Centre

- Greater Manchester Transport Strategy 2040

- Greater Manchester Transport Strategy 2040 Draft Delivery Plan (2020-2025)

- Report to Economy Scrutiny Committee 6 February 2019 Greater Manchester Transport Strategy 2040: Draft Delivery Plan (2020–2025)

- Report to Economy Scrutiny Committee 6 February 2019 City Centre Transport Strategy – Feedback from the Responses to the Conversation held in Autumn 2018

- Greater Manchester's Plan for Homes, Jobs, and the Environment (Greater Manchester Spatial Framework Draft 2019)

- Greater Manchester HS2 and NPR Growth Strategy: The Stops are Just the Start 2018

- Manchester City Centre Strategic Plan (2015-2018)

- Greater Manchester Congestion Deal 2018

- Greater Manchester Clean Air Plan Outline Business Case 2019

- Manchester Climate Change Strategy (2017-2050)

- Manchester Climate Change Action Plan (2016-2020)

- Report to Economy Scrutiny Committee 10 October 2019 and to Executive 16 October 2019 Revised City Centre Transport Strategy

1.0 Introduction

1.1 As reported to the Executive in October 2019, the *2010 Transport Strategy for Manchester City Centre* is being revised, in order to support the ongoing growth of the city centre, and to respond to changes in the policy context and the current environmental context, and leading up to 2040. The revised strategy will provide a framework for key transport policies and interventions for future delivery, in both the shorter and longer term, covering all modes of transport used to travel to, from and around the city centre.

1.2 The framework for delivery in Manchester city centre is up to 2040 and will align with the Greater Manchester 2040 Transport Strategy. It will address key policy issues and take into account the Draft Zero Carbon Framework 2020-2038; Climate Change Action Plan; the development of the Clean Air Plan; and the Local Plan. Work on the revised strategy and the emerging proposals respond to the results of the conversation on the City Centre Transport Strategy (CCTS) that took place in the autumn of 2018 and received 3,700 responses. The engagement exercise agreed by Members in October 2019 was undertaken to listen to the views of residents, businesses, workers and others who use the city centre, on the emerging proposals and to further define the key principles.

1.3 The CCTS is being developed by Manchester City Council, Salford City Council and Transport for Greater Manchester (TfGM). The vision for the revised CCTS is for “a well-connected city centre at the heart of the North, offering our residents, employees and visitors a great place to work, live and visit”. The key principles of the revised strategy will contribute to the city’s and Greater Manchester’s targets on clean air and carbon emissions, and ensure the city centre provides a high-quality environment, that supports growth and is accessible to all.

2.0 Background

2.1 The vision for the Greater Manchester 2040 Transport Strategy is for ‘World class connections that support long-term, sustainable economic growth and access to opportunity for all’. To achieve this, an ambitious target is set for 50% of all journeys in Greater Manchester to be made on foot, by bike or using public transport by 2040, which would equate to one million more sustainable journeys per day. By 2040, it is anticipated that there will be an additional 28,000 trips being made into the city centre in the morning peak, on top of the 100,000 trips already being made.

2.2 To take the strategy forward, Transport for Greater Manchester (TfGM) on behalf of GMCA, developed the Draft Delivery Plan (2020-2025) to establish a fully integrated, high capacity transport system across Greater Manchester (GM). The five year plan includes deliverables and actions aligned with the Mayor’s ambitions published as ‘Our Network’ for the future of GM travel, aligned with the GM 2040 Strategy. The final version of the delivery plan is being prepared in conjunction with the draft Greater Manchester Plan for

Homes, Jobs and the Environment as part of the Greater Manchester Spatial Framework (GMSF).

2.3 In October 2019, a report was considered by the Economy Scrutiny Committee and the Executive which outlined an engagement and co-design exercise with stakeholders on the proposals in the revised CCTS. The engagement took place during December 2019 and early January 2020 as a series of workshops. The engagement is part of the co-design process for drafting a new CCTS. It is suggested a wider public consultation is held on the draft strategy building on the outcomes of the engagement. The strategy will then be further revised following this consultation, and finalised in 2020.

3.0 Summary of the Emerging Key Proposals in the revised CCTS

3.1 The October report set out that, following analysis of the earlier conversation responses, work has been undertaken to revise the key principles of the CCTS. The proposals are focussed around the following key types of intervention:

- investigating improvements to make city centre streets more cycle and pedestrian friendly where feasible, increasing the level of pedestrian priority over time;
- develop measures to remove more through traffic with no business in the city centre from city centre streets in line with long established policy;
- reducing the proportion of journeys in the morning peak to the city centre made by car from around 24% today to 10% in 2040 alongside the decarbonisation of the vehicle fleet;
- ensuring the city centre streets and transport system accord with the established road user hierarchy, and support Manchester's ambitions to be an increasingly Age Friendly City and the most accessible city in the UK;
- reviewing how the competing demands for kerbside space in the city centre is managed, including a review of the current level of provision of taxi ranks;
- enhancing major walking routes to and from the main public transport interchanges and to key city centre destinations, taking into account emerging neighbourhoods, where more people will live and work, including safer crossing facilities and wayfinding;
- developing the Bee Network in the city centre; increasing cycle parking; and the investigation of a new, effective public hire cycle scheme.
- providing additional public transport capacity in the city centre, for example through increasing tram frequency, introducing more double trams and, investigating the feasibility to introducing tram-train services on a number of train lines;
- further assessment of proposals to improve bus services through measures to enhance bus reliability across the city centre, for example, through the consideration of further cross-city priority routes and improved and amended bus terminus facilities.
- transformation of Piccadilly station into a world class transport hub, as part of the proposals for HS2 and Northern Powerhouse Rail.

- supporting the development of a smarter travel card scheme to ease integration between modes of transport and simpler fare structures.
- facilitating and supporting proposals within the Clean Air Plan, for example the expansion of zero carbon vehicles, including supporting bus renewals and retrofitting; increasing electric vehicle charging network including facilities for use by private hire vehicles and taxis; and investigating the potential for greener freight cargo.
- reviewing the location and quantity of car, motor cycle and cycle parking to serve the city centre with a shift, over time, in spaces for cars from the core to the periphery;
- removing barriers to accessing the city centre on foot, helping to address the severance caused by transport infrastructure;
- the trialling of new innovation to inform travel choices within the city centre;
- enhancing public transport management and security; and
- consideration of the need for enhanced measures to manage parking in the areas surrounding the centre.

4.0 Engagement Exercise

4.1 Seven workshops were held in the city centre for stakeholders (4 in December and 3 in January). The workshop format was designed as a two hour session, starting at either 8.30am or 5.30pm to maximise attendance. Sessions were led by an independent facilitator. The sessions included an introductory presentation and a facilitated group discussion, with in depth participation from attendees. Qualitative responses were recorded during the session. Some participants also provided further comments and feedback after the session.

4.2 Each session was introduced to explain the purpose of the workshop, and set out the vision of the CCTS and the results of the previous conversation in 2018. The sessions also covered the key principles of the revised CCTS. Three themes were proposed to shape interventions in the strategy, and these themes were used to aid discussions in the workshops. Under each of the three themes, key principles were explained and some examples were given of possible interventions. The themes are:

- ‘walking, cycling and the role of city centre streets’;
- ‘the role of public transport’ and;
- ‘managing traffic and parking’.

4.3 The presentation delivered at the sessions outlined some of the achievements since publishing the 2010 CCTS as examples of existing interventions (including the Metrolink Second City Crossing and St Peters Square) and proposed schemes (including Chapel St and Albert Square) to demonstrate how interventions could improve the existing environment.

4.4 Participants were asked to give feedback on the key principles of the CCTS, discuss the emerging themes, and suggest any additional ideas. The methodology for the sessions meant that any issues or conflicts between users of different modes of transport arising from discussions, had suggested solutions recorded against them, with the aim of working together with a range of partners to collaboratively build solutions. The comments by participants at each workshop were recorded during the session by participants themselves and by facilitators. Recurrent themes and comments were identified.

4.5 A range of representatives were invited to the workshops from key stakeholder groups, including both small and large businesses, residents and community groups, transport operators, universities, environmental and active travel groups. Representatives included Age Friendly groups, Disability groups, Youth groups and Equality groups. In total 52 individuals took part.

4.6 The following is the breakdown of representation from different stakeholder groups at the workshops: It is important to note that 4 attendees are considered representatives in more than one category e.g. staff member and a resident of the city centre.

Staff	11
Transport Operators	10
Businesses	10
Residents	10
Commuters	5
Environmental	4
Age Friendly	2
Accessibility	2
Community	2

4.7 Transport operators in attendance included several bus operators, Network Rail and British Transport Police. Although 5 individuals were identified primarily as commuters for the purpose of their representation at the workshops, the majority of attendees (42 in total) were also commuters. Attendees were asked to indicate their mode of travel to, from and around the city centre to ensure participants involved used a mix of different transport modes. The following gives the breakdown of responses (2 participants did not indicate):

Bus 31%
Train 28%
Tram 26%
Walk 24%
Cycle 22%
Car 20%

4.8 81% of attendees were classed as commuters with 10 (24%) of these being car users. 19 (35%) of individuals stated they used combined methods of travel and 6 of these were car users.

4.9 22 individuals completed the request for feedback on the format of the workshops and their responses are summarised below:

- 95% indicated that they liked the format and found the presentation useful.

- A number of individuals indicated they would have liked further information on the strategy and that they would like a follow up session to be updated on progress.

5.0 Engagement Outcomes

5.1 The stakeholder discussion in the engagement sessions focussed on the three themes for the proposed types of interventions outlined in Section 4.2.

5.2 General comments were made on the key principles of the strategy. Participants agreed the strategy should be ambitious in setting targets for each mode of transport. Participants commented that transport is one of the main contributors of CO2, so the targets should be more ambitious to recognise the Climate Emergency declared by the Council. Improving air quality was also a priority. Stakeholders recognised behaviour change should be a key part of the strategy and quick wins need to be considered as well as interventions to reach longer term targets.

5.3 Participants commented that the 'Hierarchy of highway users' should be followed in designing the draft strategy, where pedestrians and disabled people are prioritised, followed by people on bikes, public transport, deliveries and vehicle traffic respectively. Some participants were not aware of the hierarchy and did not think it was currently reflected in the city centre. The majority of stakeholders support the proposal to improve and prioritise walking routes in the city centre.

5.4 The outcomes of the discussions are detailed in this section under the three themes.

5.5 Key principles and priorities that were identified by stakeholders under each theme were as follows:

Walking, cycling and the role of city centre streets

- Pedestrianise areas.
- Introduce more green space, green infrastructure and trees, to make streets more attractive.
- Reduce air pollution and improve the street environment and public spaces to create 'safe, clean and green' streets.
- The design of streets should respond to the city's Age Friendly Strategy, and also encourage personal wellbeing by incorporating places for dwell time.
- Widen pavements, canal towpaths, declutter streets and improve lighting.
- Improve wayfinding solutions, for all users including tourists.
- Improve maintenance of pavements and cycle lanes.
- Improve signalised crossing points for pedestrians, people with mobility issues and disabled people and improve crossings of road, railways and rivers.
- Clear cycling and walking routes in the city centre as part of the Bee Network plans, with use of technology to provide information.
- Having secure and safe cycle parking facilities, including 'bike parks'.
- Segregation of cycle lanes from buses.

- Introduce a cycle rental scheme.
- Provide cycle parking for people with mobility issues.

The role of public transport

- The overall importance of a reliable and attractive public transport system.
- Improve access to the city centre by bus, have more cross city buses and expand the free bus or run the same route in both directions.
- Use of bus gates to reduce cars in the city centre.
- Increase the number of electric buses.
- Introduce an integrated ticketing system so a single and affordable ticket can be used for multiple trips and modes.
- Expand existing transport hubs within the city centre, integrating public transport and linking to walking and cycling routes.
- Use of technology for improved bus timetabling and live information.
- Bus priority lanes to reduce congestion.
- Improve facilities at bus stops including Wi-Fi, and make improvements for disabled people.
- Improve accessibility at transport hubs for disabled people.
- Establish park and ride schemes and mobility hubs on the edge of the city centre.
- Extend Metrolink trams, increase frequency and capacity and examine underground tunnelling options.
- Allow cycles on trams and trains.
- Improved connections at coach station, and consider its relocation.
- Extend the service provision of public transport at night time hours for access to the airport, for leisure, and for night time workers.
- Further consider strategies for public safety, crime reduction and events.
- Increase the capacity of rail services.
- Introduce tram-train routes, using trams on existing rail lines.

Managing traffic and parking

- Reduce traffic in the city centre and stop through traffic.
- A ‘Streets for All’ approach to road layouts.
- Implement vehicle free zones, and reduce speed in zones.
- Introduce a congestion charge.
- Encourage car sharing.
- Consider deliveries within defined hours for city centre businesses (such as supermarkets).
- Increase use of electric vehicles and charging points.
- Effectively manage taxis at train station taxi ranks.
- Move car parks to the edge of the city centre.
- Maximise use of technology to effectively manage and better control parking in the city centre.
- Increase the cost of parking or have demand-related pricing for parking in the city centre.
- Introduce resident parking permits.

- Enforcements for cars parking on pavements.
- Introduce a workplace parking levy.

Specific areas for intervention

5.6 A number of participants identified areas that would benefit from intervention including Deansgate, Stevenson Square and the wider Northern Quarter, Mosley Street, Cross Street and Chinatown for pedestrianisation, removing traffic at certain hours or days of the week, or implementing car free zones or a congestion charge. Some participants suggested pedestrianisation should be phased and extended across the city centre.

5.7 Furthermore, some participants felt The Village had poor transport connections, and that these should be improved during night time hours when the area has high footfall.

5.8 Piccadilly Gardens was an area where participants wanted to see improved public space, and further examination of how the space is used by buses and pedestrians at Parker Street.

Competing demands

5.9 Participants supported the integration of public transport and active travel modes, and considered the segregation of modes and reduction of traffic in the city centre. This resulted in competing demands in some discussions. Participants suggested interventions to allow space to be shared effectively between buses, pedestrians and cyclists which they believed would improve overall safety.

- Segregation of cycle lanes from buses, e.g. at Oxford Road was largely supported, although future schemes would need detailed consideration of how to ensure that the needs of people with disabilities are taken fully into account;

- Participants recognised that deliveries, servicing businesses and residents, and disabled access would need to be considered if car free zones were implemented. Suggestions were for different delivery modes including bikes and electric vehicles and a delivery and service plan.

- The majority of participants supported moving buses away from Piccadilly Gardens to other city centre locations such as Piccadilly and Victoria Stations and Shudehill, which was considered an underused location. However some participants suggested locations were not central enough and users who cannot walk longer distances would need to be considered.

- The majority of participants supported the reform of bus operations to deliver a system of frequent and reliable buses, although some bus operators registered their opposition to the proposals.

- Some participants highlighted that any future work to expand Metrolink or develop an underground tunnel would cause congestion and disruption.

- It was noted that coaches support tourism in the city centre and that the impact of any traffic restrictions would need to be considered.

6.0 Next Steps

6.1 Following the co-design and engagement exercise the next step in the process will be to use the information gathered to inform a draft strategy document, which will be further consulted upon. The workshops have provided the opportunity for stakeholders to feedback on the emerging key principles and proposals of the revised CCTS and for the Council to listen to and consider the points raised. Together with the outcomes of the previous conversation engagement in 2018 it is considered that these views are helpful in providing input into the developing document and confirmation of the key themes that residents, commuters and businesses would like to see the strategy address. Consideration will also be given to other developing plans such as the Clean Air Plan and the Local Plan linked to the CCTS. Further work will be undertaken to examine how users share space, prioritising pedestrians, whilst allowing cyclists and buses in some areas to share this space safely.

6.2 As previously outlined in the Executive report in October 2019, it will also be important to consider complementary measures in the wards adjacent to the city centre, to ensure that any potential wider impacts from transport solutions in the centre are effectively managed. Further engagement will take place during the next phase, and there will be an ongoing review of any displacement issues arising from the proposals developed as part of the CCTS, to ensure that they are appropriately addressed and appropriate mitigation measures are planned.

6.3 Following co-design of the strategy with Salford City Council and other key stakeholders, a wider consultation is planned in 2020 on the detail of the draft CCTS, where the public will be invited to respond on the draft strategy. Following consideration of the feedback, a final strategy will be submitted to the Executive for approval.

7.0 Conclusion

7.1 This report summarises the outcome of the latest phase of engagement in developing the CCTS. The output of the exercise will be very helpful in ensuring that the concerns of city centre users are fully taken into account prior to the publication of a draft strategy for consultation. The revised strategy will outline interventions to achieve the vision and ambitions by 2040, increasing the number of trips made by foot, cycle and public transport and reducing the number of cars in the city centre.

7.2 Recommendations appear at the front of this report.

8.0 Contributing to the Our Manchester Strategy

(a) A thriving and sustainable city

8.1 The updated city centre transport strategy will need to provide the capacity needed to underpin growth and support the creation of new jobs in the city. Investment in city centre public space and the city's transport functions will support growth of the economy and maximise the competitiveness of the city centre.

(b) A highly skilled city

8.2 The updated strategy will support the delivery of projects that will create high quality employment opportunities in the city and will support growth in a range of key sectors of the economy. Improving infrastructure and unlocking regeneration opportunities will attract new investment, boosting the local economy and providing new jobs for Manchester residents. Improved public transport and walking and cycling routes to the city centre can help residents to access jobs and training opportunities located there.

(c) A progressive and equitable city

8.3 The developing strategy and the engagement exercise outlined in this report responds to the 2018 conversation exercise. The strategy will support the enhancement of the transport network serving the city centre, and through initiatives such as better ticketing. Reform to the delivery of local bus services will open up opportunities for communities across the city. Improving city centre travel and connections to other places supports inclusive development and employment growth.

(d) A liveable and low carbon city

8.4 Efficient, transport systems coupled with a strong sense of place will ensure Manchester continues to be a highly attractive and enjoyable visitor destination, and continues to appeal to a diverse range of people living and working in the city centre. Proposals to reduce congestion and improve air quality will help achieve a cleaner and greener city, highlighted by respondents as an important issue. Improved freight and public transport, and a reduction in car based trips contributes towards Manchester's ambition to be a zero carbon city by 2038 at the latest.

(e) A connected city

8.5 Improvements to connectivity are central to the plans to refresh the strategy. World class infrastructure will attract international investment and promote a globally successful city. The strategy will deliver proposals to improve transport integration across Greater Manchester, making it easier for people getting into and moving around the city centre.

9.0 Key Policies and Considerations

(a) Equal Opportunities

9.1 Proposals in the City Centre Transport Strategy are anticipated to support additional job opportunities available to local residents and improved transport connections to those opportunities.

(b) Risk Management

9.2 Risks will be considered on a scheme by scheme basis.

(c) Legal Considerations

9.3 The legal powers available to the Council will need to be taken into account in developing the CCTS, to ensure the proposals contained in it are deliverable. It will also need to link closely to the Council's Development Plan, both the current and the forthcoming Local Plan review, to ensure they are consistent with one another.

Manchester City Council
Report for Resolution

Report to: Executive - 12 February 2020

Subject: Empty Houses to First Time Buyer Homes – Update Report

Report of: Strategic Director (Growth and Development)

Summary

In October 2017 the Executive approved the establishment of the Housing Affordability Fund (HAF). The HAF brings together in one place a range of funding streams targeted at the provision of affordable homes across the city. The 2017 report also detailed a number of products that would facilitate the delivery of good quality affordable homes. One of the products was the Empty Homes Scheme that was aimed at providing new ways for first time buyers to get onto the property ladder.

In March 2018 the Executive approved two new products for the delivery of affordable housing one of which was the Empty Homes Scheme. This report provides an update on the Empty Homes Scheme.

Recommendations

The Executive is recommended to:

1. Approve grant funding to Mosscare St Vincent's (MSV) under the provisions of Section 22 of the Housing Act 1996 in order to bring empty properties back into use for affordable home ownership.

2. Authorise the City Solicitor to enter into any agreements to give effect to the recommendations.

Wards Affected All wards

Our Manchester Strategy outcomes	Contribution to the strategy
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	This scheme will support the city in providing the right mix of housing that is affordable for aspiring first time buyers across a range of income levels to support a functioning Manchester and sub-regional economy.
A highly skilled city: world class and home grown talent sustaining the city's economic success	These homes will be well connected to employment opportunities and schools.
A progressive and equitable city: making a positive contribution by	Increasing the supply of good quality affordable homes for sale will provide the

unlocking the potential of our communities	opportunity for Manchester residents to raise their individual and collective aspirations.
A liveable and low carbon city: a destination of choice to live, visit, work	The right mix of quality energy efficient housing is needed to support growth and ensure that our growing population can live and work in the city and enjoy a good quality of life.
A connected city: world class infrastructure and connectivity to drive growth	This approach recognises the importance that a balanced housing offer plays within a well-connected city and the neighbourhoods within it. It seeks to create neighbourhoods where residents will choose to live and their housing needs and aspirations are met.

Full details are in the body of the report, along with any implications for

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

None

Financial Consequences – Capital

Capital costs of £2.0m to be funded from a combination of S106 contributions available for affordable housing and capital receipts.

Detailed project and funding proposals are also subject to review and approval via the Council's Capital Strategy Checkpoint Process.

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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.

- Housing affordability in Manchester, Executive 1st June 2016
- Housing affordability in Manchester, Executive 14th December 2016
- Housing Affordability Plan, Executive October 2017
- Manchester's Housing Affordability Plan – New Products, Executive 7th March 2018

1.0 Introduction

1.1 On 7 March 2018 the Executive approved the Empty Homes Scheme ("the Scheme") and delegated approval of the final agreement to the Director of Housing and Residential Growth in consultation with the Deputy Leader of the Council with responsibility for Housing; and authorised the City Solicitor to enter into any agreements to give effect to the recommendations.

1.2 Adactus Housing Association (now Jigsaw Housing) was identified within the 2018 report as the registered provider partner that would work with the Council to bring the Scheme forward with the aid of a grant under section 22 of the Housing Act 1996.

1.3 A section 22 grant agreement was completed on 18th October 2018 between the Council and Adactus Housing Association whereby the Council was to advance £2million to Adactus to acquire empty properties and procure the necessary refurbishment, upgrading and marketing for sale of the properties. However following a mutual agreement between the parties and prior to the grant funding being released the agreement was formally terminated by a Deed of Termination 2019.

1.4 Following the termination of the grant agreement between the Council and Adactus Housing Association discussions have taken place with alternative registered provider partners which has resulted in a new partner being recommended for approval.

2.0 Background

2.1 Manchester residents on lower incomes need and expect a diverse range of affordable housing types and tenures. Tenure types include a range of rental options at different levels as well as tenures that allow residents affordable purchase options.

2.2 MCC is committed to delivering 6,400 affordable homes over a ten year period to March 2025 via a range of delivery options. We are working with Registered Provider (RP) partners to identify MCC owned sites for new build development. Where sites are clustered master planning development proposals are being progressed and funding is being sought for sites in need of remediation.

2.3 In relation to providing affordable homes via refurbishment, examples include the larger properties acquisition project, where we are working with a number of RP partners to offer settled accommodation at affordable rent for households currently in temporary accommodation. We are also working with an RP to intervene in the private rented sector near our selective licensing areas to ensure access to homes for affordable rent. This will complement their new build rent to purchase homes located nearby. The Council has also recently agreed a policy to work with RPs to buy back former Council properties and bring them back into use as affordable, rented housing.

3.0 Mosscare St Vincent's (MSV)

3.1 Both MSV and One Manchester expressed an interest in delivering this acquisition and refurbishment Scheme. However, during a meeting between One Manchester, MSV and the Council, One Manchester conceded that MSV would be best placed to deliver the Scheme due to MSV's expertise in acquiring and refurbishing properties for onward sale and One Manchester's other commitments.

3.2 The Council agrees that MSV has the necessary expertise to enable the efficient delivery of the Scheme and therefore wishes to move forward with MSV. MSV have carried out due diligence and confirmed that they have the capacity to deliver the Scheme.

3.3 The overall aim of the Scheme is to bring empty privately owned properties back into use for affordable home ownership. The definition of affordable will be in line with the Council's Housing Affordability Policy Framework (HAPF).

3.4 This Scheme supports Manchester's Housing Strategy 2016 – 2021 to make best use of all our homes. It also supports the Council's Housing Affordability Policy Framework by providing homes that are affordable to residents on or below the average household income.

4.0 Empty Houses to First Time Buyer Homes

4.1 As detailed in the October 2017 report to Executive approximately 75% of the city's existing homes fall into council tax bands A and B which implies that the city has a significant stock of lower value homes to purchase and rent. At present there is no practical support to buy or rent these homes other than through the traditional high street mortgage, market rent or, subject to eligibility, a social home through Manchester Move. In addition, potential owner occupiers struggle to compete with investors who are able to offer quick cash purchases whereas most potential owners occupiers need to access a mortgage with its inherent delays. However, in terms of Manchester's Housing Affordability Fund, the city's existing older housing presents the biggest opportunity to support some of our aspiring lower income households into the tenure of their choice.

4.2 The Council has already run two pilot schemes, one of which related to purchasing empty homes, refurbishing them and selling to owner occupiers. The second related to housing providers disposing of surplus stock. This has contributed to reducing the number of long term empty homes over recent years. This was supported as part of the national funding programme but as this is coming to an end the Council has been developing ideas with both public and private sector partners. This pilot project is based around the basic premise of purchasing empty homes, refurbishing them and selling them to First Time Buyers (FtB) or lower income households for owner occupation.

4.3 In order to make this viable in some neighbourhoods, this is likely to require both equity investment and grant funding. As mentioned above, the Council has delivered a similar empty homes scheme where an approximate 19% ‘subsidy’ was needed to bridge the gap between acquisition and refurbishment costs and the final sales receipt. This was due to very high refurbishment costs so this is an area that needs to be addressed in any future scheme.

4.4 To bring down costs of the refurbishment, officers have worked with partners to develop a good quality ‘occupational standard’ which in turn would reduce the level of subsidy required. The occupational standard is being finalised with partners to ensure this does not detract from the overall quality of the finished product.

4.5 These discussions will become formalised into a proposed agreement between the Council and MSV. The grant payment will be secured under the provisions of section 22 of the Housing Act 1996. Under section 22, the Council has the power to provide financial assistance in the form of grants or loans to a registered social landlord for the provision of housing. The terms and conditions of the grant funding will be set out in a formal section 22 Agreement.

4.6 MSV will acquire the empty properties, undertake their refurbishment and market them for sale to First Time Buyers or to residents on or below the average household income, who wish to become owner occupiers. Based on combined acquisition and refurbishment costs of circa £120k and a sales programme which requires a 10% non-recoverable subsidy the initial investment of £2m could potentially deliver 90 homes before it diminishes. This is based on recycling and reinvesting the sales receipts over several phases.

Note: If MSV retrofit each property to be as near to zero carbon as possible this may increase the cost by up to £50,000 but will, almost certainly, not increase the sales value. If the sales value remains the same (and the fund has to subsidise the sale price) the £2m investment, recycled, could potentially deliver just over 30 homes.

4.7 In undertaking the refurbishment works MSV will be able to trial a number of methods for reducing fuel poverty and carbon emissions in an attempt to identify the most cost-effective interventions. MSV will work with the Council and other members of the Manchester Housing Providers Partnership to share their experience and knowledge.

4.8 There have been early discussions with Manchester College on how this project can generate an increased level of social value. There are clear opportunities around employment, skills and training through a partnership between the private sector partners and the College. We are also exploring the option to develop ‘green skills’ as part of our commitment towards low/zero carbon solutions.

5.0 Conclusion

5.1 This Scheme will give Manchester residents the opportunity to access the home of their choice. By being more creative and working with both public and private sector partners, this can be delivered at a scale that would not be possible if the Council did this alone.

5.2 Recommendations appear at the front of this report.

6.0 Contributing to the Manchester Strategy

(a) A thriving and sustainable city

This Scheme will support the city in providing the right mix of housing that is affordable for aspiring first time buyers across a range of income levels to support a functioning Manchester and sub-regional economy.

(b) A highly skilled city

The new and existing homes will be well connected to employment opportunities and schools.

(c) A progressive and equitable city

Increasing the supply of good quality affordable homes for sale will provide the opportunity for Manchester residents to raise their individual and collective aspirations.

(d) A liveable and low carbon city

The right mix of quality energy efficient housing is needed to support growth and ensure that our growing population can live and work in the city and enjoy a good quality of life.

(e) A connected city

This approach recognises the importance that a balanced housing offer plays within a well-connected city and the neighbourhoods within it. It seeks to create neighbourhoods where residents will choose to live and their housing needs and aspirations are met.

7.0 Key Policies and Considerations

(a) Equal Opportunities

This approach to new homes will enable the provision of a diverse range of housing to meet the needs of the growing and changing population. Local communities will be engaged through appropriate consultation, giving all stakeholders opportunities to engage in the development of Manchester's policy and associated schemes.

(b) Risk Management

Assessment, mitigation and management of risk will be overseen through the city council's governance arrangements associated with residential growth.

(c) Legal Considerations

Under section 22 of the Housing Act 1996 the Council has the power to provide financial assistance in the form of grants or loans to a registered social landlord for the provision of housing. The conditions of the grant funding to Mosscare St Vincent's will be in accordance with the provisions contained in a section 22 Agreement.