Public Document Pack

MANCHESTER
CITY COUNCIL

The Council's 2021/22 Budget Papers Pack

This is the 2021/22 Budget Papers Pack containing all the budget related documentation to be considered at the Resources and Governance Scrutiny Committee on 1 March 2021 and Budget Council on 5 March 2021

Budget 2021/22 Papers Pack

5. The Council's Budget 2021/22 - budget papers pack
In connection to the above, the following documents were considered by Executive on 17 February 2021.

(5a) Revenue Budget Monitoring to the end of December 2020
(5b) Capital Budget Monitoring to the end of December 2020
(5c) Budget Overview and Section 25 Report
(5d) Medium Term Financial Plan and 2021/22 Revenue Budget
(5e) Children and Education Services Budget 2021/22
(5f) Adult Social Care and Population Health Budget 2021/22
(5g) Neighbourhoods Directorate Budget 2021/22
(5h) Homelessness Directorate Budget 2021/22
(5i) Growth and Development Directorate Budget 2021/22
(5j) Corporate Core Budget 2021/22
(5k) School Budget 2021/22
(5l) Housing Revenue Account 2021/22 to 2023/24
(5m) Capital Strategy and Budget 2020/21 to 2024/25
(5n) Treasury Management Strategy Statement 2021/22, including Borrowing Limits and Annual Investment Strategy

These documents will be available to view on the Council's website using the following link and via the Modern.Gov app on tablet devices:-

https://democracy.manchester.gov.uk/ieListDocuments.aspx?CId=137&MId=3404&Ver=4

Due to the combined size of all of the above documentation, paper copies will only be provided to Elected Members on request.

(The Constitution provides that amendments to Executive's budget recommendation are to be submitted by the seventh day after the meeting of Executive).

Further Information

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

Michael Williamson
Tel: 0161 2343071
Email: m.williamson@manchester.gov.uk

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Manchester City Council
Report for Resolution

Report to: Executive – 17 February 2021

Subject: Revenue Budget Monitoring to the end of December 2020

Report of: Deputy Chief Executive and City Treasurer

Summary

The report outlines the projected outturn position for 2020/21, based on spend and income as at the end of December 2020 and future projections.

Recommendations

The Executive is recommended to:

1. Note the global revenue monitoring report and a forecast outturn position of a breakeven position.

2. Approve additional COVID-19 grants to be reflected in the budget, with £1.333m workforce capacity fund and £0.842m to support increased testing in care homes applied to the Adult Social Care pooled budget, see section 3;

3. Approve application of Additional Restriction Grant support for businesses, see section 3.8;

4. Approve the use of budgets to be allocated, in Appendix 1, Slide 12.

5. Approve budget virements in Appendix 1, slide 12.

6. Approve the use of unbudgeted external grant funding (non COVID-19) in Appendix 1, Slide 12.

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 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 balanced budget for 2020/21, based on the financial implications of COVID-19, government funding confirmed to date and other identified changes, in year efficiencies and mitigations.

This report focuses on 2020/21, however it is anticipated the implications of COVID-19 will have a significant impact on the Council's finances for a number of years. 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.

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.

Contact Officers:

Name: Carol Culley
Position: Deputy Chief Executive and City Treasurer
Telephone: 0161 234 3406
E-mail: carol.culley@manchester.gov.uk

Name: Helen Seechurn

Position: Interim Deputy City Treasurer
Telephone: 0161 234 1017
E-mail: helen.seechurn@manchester.gov.uk

Name: Samantha McArdle
Position: Corporate Finance Lead
Telephone: 0161 234 3472
E-mail: sam.mcardle@manchester.gov.uk

Background documents (available for public inspection):

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

Executive – 11 November 2020 Report to update on the Council's MTFP focusing on the financial position and strategy from 2021/22
Executive - 14 October 2020 P5 Revenue Budget Monitoring 2020/21 and Budget Position 2021/22
Executive 9 December 2020 P7 Revenue budget monitoring 2020/21

1 Introduction

1.1 This report provides an overview of the Council's current financial position for 2020/21. It should be noted that the COVID-19 related forecasts included in this report are based on the round 9th return submitted to MHCLG on 29 January. The figures will continue to be refined as costs crystallise and income implications become clearer.

1.2 The forecast budget shortfall from COVID-19 pressures is £58m this financial year. The forecast overall position for 2020/21 is a balanced budget after taking account of confirmed government funding and mitigation through the Council's share of the sales, fees and charges emergency funding.

1.3 There remains a significant shortfall from 2021/22 to be managed through a programme of budget cuts, as set out in the Medium-Term Financial Plan report elsewhere on this agenda.

2 Overview of COVID-19 Financial implications

2.1 The round 9 return to MHCLG was submitted on 29 January. This showed the anticipated financial cost of COVID-19 to the Council is currently £164.4m of which £23.6m relates to additional expenditure and £140.8m to loss of income.

	COVID-19 Financial impact £000
Forecast cost pressures	23,625
Forecast Income Shortfalls	140,813
Total	**164,438**

2.2 The financial impact of COVID-19 during 2020/21 will fall over two budget years (2020/21 and 2021/22) due to the following factors:

- Any surplus or deficit on the Collection Fund (which covers both business rates and council tax income) is usually reflected in the year following that in which the income is (or is not) collected. Note the government has mandated that any 2020/21 irrecoverable deficit is smoothed over 3 years 2021/22 to 2023/24.
- The Council has an airport dividend reserve which means that a significant proportion of the income (£56m) is budgeted to be used a year in arrears.
- The budget shortfall has been adjusted for bus lane and parking lane enforcement income as this affects the level of the available reserve to fund future commitments.

2.3 This has resulted in the financial effect of COVID-19 for 2020/21 and 2021/22 as per table two below. This also includes further financial pressures into 2021/22 from anticipated continuing income losses (council tax, business rates, dividend, fees and charges) and further costs in 2021/22, particularly in adult social care and homelessness.

Table Two: Summary of COVID-19 Impact across 2020/21 and 2021/22 (excluding funding announcements)

	2019/20 £000	2020/21 £000	2021/22 £000
Additional Costs (MCC only)	389	23,235	25,531
Income:			
Loss of Income (MCC only)		140,812	111,677
Adjustment for element of airport dividend not budgeted to use in year		*(55,809)*	*(8,729)*
2020/21 Council Tax and Business Rates shortfalls impact a year in arrears		*(41,449)*	*13,816*
2020/21 Council Tax shortfall relating to 2019/20 deficit impact a year in arrears*		*(3,072)*	*3,072*
Bus Lane and Parking Income - impact on reserves capacity		*(5,757)*	*(1,430)*
Budget impact of lost income	**0**	**34,725**	**118,406**
Total Costs and Net income losses	**389**	**57,960**	**143,938**

*This element of the deficit is not eligible to be spread as it relates to an increase in the 2019/20 bad debt provision

Total forecast COVID-19 cost pressures

2.4 Dealing with the immediate impact of COVID-19 has resulted in major spending pressures, particularly in social care and homelessness. There are also additional costs arising from functions such as providing the community hub and services for shielding residents as well as sourcing and supplying personal protective equipment (PPE) for other organisations. These all form part of the Government's expectations of local authorities in delivering the national response in individual communities. The table below shows the 2020/21 forecast additional spend of £23.2m by Directorate.

Table Three: Forecast COVID-19 additional costs by Directorate

Service Area	MCC Forecast Cost 2020/21 £000
Children's Services	674
Adult Social Care	9,323
Public Health	528
Homelessness	4,919
Corporate Core	2,060
Neighbourhoods	4,731
Growth and Development	217
Community Hub	783
Total forecast additional costs	**23,235**

Forecast COVID-19 Income Shortfalls

2.5 The total income loss is forecast at £140.8m (with a further £0.040m against the HRA in respect of voids and the increased turnaround time). The net impact on the income budget for 2020/21 is £34.7m as shown in table four.

Table Four: Forecast COVID-19 income shortfalls

Service Area	Income Loss reported 2020/21 £000	Timing Adjustments on budget impact £000	Impact on 2020/21 budget £000
Collection Fund	44,521	(44,521)	0
Corporate Budgets	70,943	(55,809)	15,134
Children's Services	630		630
Homelessness	34		34
Corporate Core	9,665	(5,757)	3,908
Neighbourhoods	10,493		10,493
Growth and Development	4,527		4,527
Total forecast additional costs	**140,813**	**(106,087)**	**34,725**

3 Additional Central Government Funding for COVID-19 response

3.1 The COVID-19 related grants notified to date are summarised in Appendix 2. Note only the confirmed emergency funding of £75.4m (of which £0.4m has been applied to 2019/20) and £10.2m forecast for Sales Fees and charges losses are available to support the direct additional costs and income shortfalls faced by the Council. The remaining grants are either directly passed on to businesses or residents or earmarked for specific priorities such as test and trace.

3.2 These grants and associated spend are now reflected in the revised budget shown in table six below.

3.3 Since the last monitoring report to Executive on 9 December there has been further government grant allocations to be reflected in the budget as follows:

- Adult Social Care - Workforce Capacity Fund £1.333m - On 29 January the Government published guidance for councils and adult social care providers on the £120 million Workforce Capacity Fund. The purpose of the funding is to enable councils to supplement and strengthen adult social care staff capacity to ensure the delivery of safe and continuous care.

- Adult Social Care - Support increased testing in care homes £0.842m - This £149 million grant is ringfenced for lateral flow device testing in adult social care. The Council will be required to pass on 80 per cent of the funding to care homes on a per beds basis, with 20 per cent used at the local authorities' discretion to support the care sector in delivering additional lateral flow device testing. This grant can be used to cover expenditure from 2 December 2020 to 31 March 2021. All funding must be spent by its conclusion on 31 March, and any funding that remains unspent at this point will need to be returned to DHSC.

- Neighbourhood Services - Cultural recovery (£0.882m). This has been awarded to Manchester Art Gallery for qualifying organisations that were severely financially impacted by COVID-19. The funding will be used to cover income losses and making the Gallery and ongoing exhibitions programme COVID secure.

- Neighbourhood Services - Community Champions Fund (£0.621m). This grant is to be used to work with community-based organisations to protect those most at risk from COVID-19. This will include building on existing work and developing networks where they don't currently exist. The funding is due to be spent in 2020/21.

- Corporate Core - Self Isolation Support (£379k). New burdens funding provided by government for the administration of the Test and Trace Support Payment Scheme, which awards £500 to individuals who are told to self-isolate by the NHS Test and Trace or the COVID-19 App, are employed or self-employed, unable to work from home, losing income as a result and on one of the seven qualifying benefits.

- Corporate Core Administering Business Rates Relief New Burden (£12k). New burdens funding provided by government for the software and administration costs of implementing the extended retail relief scheme, which has awarded an additional £140.5m (including 1% on behalf of the fire and rescue authority) to retail, hospitality and leisure businesses across the city.

- Corporate Core Council Tax Hardship New Burdens (£58k). New burdens funding provided by government for the software and administrative costs associated with implementing the Council Tax hardship fund, which deducts £150 from council tax support claimant's council tax liability.

- Corporate Core Local Authority Discretionary Grant Fund New Burdens (£101k). New burdens funding provided by government for the administration of the Local Authority Discretionary Grant scheme, which has provided £5.4m of support to 957 businesses not registered for business rates bills.

3.4 There have been updates and additional funds relating to grants previously announced as follows:

- Neighbourhood Services - Contain Outbreak Management Fund (£5.749m) Note this is in addition to the £4.423m previously awarded. The

Department of Health and Social Care announced this grant to fund activities such as enforcement, compliance and contact tracing. The COVID-19 Winter Plan was published 23 November, this included an extension to the Contain Outbreak Management Fund to recognise the ongoing public health and outbreak management costs to Local Authorities of tackling COVID-19.

- Sales, fees and charges grant (£3.7m to date, FYE £10.2m) A support package for losses from sales, fees and charges was announced in July. 75% of these losses will be funded by the Government – but only where they exceed 5% of the Council's planned income from sales, fees and charges. The first claim relates to losses from April to July and has been confirmed at £3.7m. Based on current forecasts the full year claim will be in the region of £10.2m.

- Leisure Centre support - c£0.1bn funding has been identified to provide support to council leisure centres most in need. Manchester has bid for £1.3m and is expected to receive the outcome of the bid by late February.

- Growth and Development - Clinically Extremely Vulnerable (CEV) people (£266k) - In addition to the £286k already received, to cover the period 5 to 31 January when new national lockdown restrictions were announced. This is being used to provide support, such as access to food deliveries and signposting to local support services, to the most at risk and enable them to stay at home as much as possible over this period. Further funding is expected for February, at the same rate, where shielding guidance remains in place.

3.5 A full resourcing plan has been developed which sets out the use of the different funding streams for the additional COVID-19 related responsibilities and associated workforce requirements.

Business Grant support

3.6 There have also been several announcements relating to support for businesses. The Council acts as agent to administer these government schemes so the payments are netted off the grant received and will not be shown gross in the budget. The exception is the Additional Restrictions Grant which will be reflected in the budget as the Council has discretion on its application.

3.7 In addition to the support already provided for pre 2 December local restrictions and the second national lockdown, government has announced a further 3 new schemes to provide business support to 4 January. The new schemes are as follows:

- £1k grants for 'wet-led' pubs (additional £179k) - On 1 December an additional £1,000 Christmas grant for 'wet-led pubs' in tiers 2 and 3 was announced. This will be a one-off for December and will be paid on top on the existing up to £3,000 monthly cash grants for businesses. This funding is in addition to the £70k already received as a result of Government revised calculations. Local authorities will be responsible for distributing the grants.

- 3 December to 30 December - Local Restriction Support Grant (Open) Version 2 (£199k) - Following the second national lockdown which ended on 2 December, local authorities that returned to Tier 2 or Tier 3 received an allocation to pay Local Restrictions Support Grant (Open) Version 2 grants. This was a formula based allocation pro rata to each full or part four-week period in these tiers. Whilst discretionary the formula was based on support to specific businesses that remained open but were significantly impacted and with the funding levels per business suggested. This forms the basis of the Manchester scheme. The Council received £199k with grant payments of up to £2,100 for every four-week period and applied pro-rata.

- 3 December to 30 December Local Restrictions Support Grant (Closed) Version 2 (£4.791m) - Following the second national lockdown which ended on 2 December, local authorities received an allocation to pay LRSG (closed) Version 2 grants for the time they have been in Tier 3. Local authorities must make grant payments to businesses that had to close between 3 December and 30 December, with grants of up to £3,000 per four-week period, pro-rata. Further funding will be available should grant payments exceed the allocation.

- 31 December to 4 January - Local Restriction Support Grant (Closed Addendum) Tier 4 (funding included within LRSG Closed Version 2 allocation) - Businesses that were required to close from 31 December to 4 January under the Government's Tier 4 restrictions will receive grants of up to £3,000 for every four-week period that they have to remain closed, pro rata.

3.8 Support made available following the national restrictions introduced on 5 January until mid-February:

- 5 January to mid-February Local Restrictions Support Grant (Closed Addendum) January (£16.780m). The LRSG (Closed Addendum) January is a mandatory grant for businesses that have a rateable value (thresholds in the rating system are used to set different grant rates rather than this being based on eligibility for business rates reliefs). A single grant for the six-week period will be paid. The amounts are fixed and businesses with more than one qualifying property will receive more than one grant. The grants are for properties with a rateable value of £15k or under, £2001; for properties with a rateable value of over £15k and below £51k, £3,000; and for properties with a rateable value of £51k or over, £4,500. The Council's allocation is £16.780m and further funding will be available should grant payments exceed this allocation.

- Closed Business Lockdown Payments (£33.552m) - Government announced an additional one-off lockdown payment for businesses that were mandated to closed from 5 January to mid February, the third national lockdown. The amounts are fixed and businesses with more than one qualifying property will receive more than one grant. The grants are for properties with a rateable value of £15k or under, £4,000; for properties with a rateable value of over £15k and below £51k, £6,000; and for properties with a rateable value of £51k or over, £9,000. The Council's allocation is £33.552m.

- Corporate Core - Additional Restrictions Grant Top Up (£4.911m). This is a top up allocation, in addition to the £11.698m already received, based on a per head of population distribution (using ONS 2019 Mid-Year Population Estimates), giving total ARG funding of £16.609m. ARG can be used in 2020/21 and 2021/22. Similar to the previous allocation each local authority is to facilitate a discretionary grant scheme. In addition to supporting those businesses that are closed but do not have a rateable value, or those who are severely impacted rather than closed and are not eligible for other forms of support, the Council seeks to further expand ARG support to include a range of other businesses including:
    - £2.5m for strategically important cultural, entertainment or convention facilities in the city,
    - £1.0m additional support to charities,
    - £2.0m for strategically economically important businesses in the city,;
    - £1.9m for childcare and day care providers,
    - £460k for independent retailers with no business rates liability that have been mandated to close and can show fixed property related costs,
    - £1.0m for taxi drivers, and
    - £4.74m for businesses affected by a reduction in daytime or commuter trade, within the tourism and culture sector, in the airport supply chain, and self- employed company directors of small businesses without fixed property related costs.

4 Measures taken to balance the budget

4.1 As shown in table two the impact of the COVID-19 additional costs and income shortfalls on the 2020/21 revenue budget is forecast at £58m, increasing to £144m next year.

4.2 The un-ringfenced support for 2020/21 now totals £64.8m plus the funding to support sales, fees and charges income losses estimated at £10.2m. In addition, £18.2m of in year savings and mitigations have been identified to support the current year's position.

4.3 The tranche four funding announcement and other changes have provided an additional £35.2m to offset COVID related pressures some of which will impact Manchester in 2021/22, subject to any further in-year costs arising from COVID-19. This will leave a forecast balanced budget for 2020/21.

Table Five: Measures taken to offset the underlying gap in 2020/21

	Revised 2020/21 £000
COVID-19 Budget impact of Additional Costs and Net income losses (includes mandatory smoothing of CF deficit)	57,960
COVID-19 Emergency Funding (Confirmed)	(64,782)
COVID-19 Sales, fees and charges support (estimate)	(10,200)
Savings, mitigations and other changes	(18,205)
Budget shortfall after expected funding/ mitigations	**(35,227)**
Reprofile use of reserves to part offset loss of income impacting future years	35,227
Total - Potential Budget Gap	**0**

5 Overview of forecast Position 2020/21

5.1 The following table summarises the spend for 2020/21 by service. The supporting Appendix outlines the main reasons for the variation to budget.

Table Six: Overall forecast position as at 31 December 2020

						Memo: Breakdown of variance			
Forecast as at 31 December 2020	Original Approved Budget £000	Revised Budget £000	Forecast Outturn £000	Total Forecast Variance £000	Movement from last reported to Exec £000	COVID related Expenditure £000	COVID related income reduction £000	Other over / under spends £000	Total Forecast Variance £000
Total Available Resources	(666,125)	(861,047)	(848,249)	12,798	(1,103)	0	15,134	(2,336)	12,798
Total Corporate Budgets	126,761	258,395	254,868	(3,527)	(1,695)	0	0	(3,527)	(3,527)
Children's Services	130,320	134,769	133,414	(1,355)	562	674	629	(2,658)	(1,355)
Adult Social Care	221,253	234,448	240,913	6,465	(256)	9,850	0	(3,385)	6,465
Homelessness	15,285	17,604	23,897	6,383	1,216	4,919	34	1,430	6,383
Corporate Core	69,958	95,717	100,135	4,418	2,594	2,061	3,908	(1,551)	4,418
Neighbourhoods	93,802	108,624	120,232	11,608	2,933	4,731	10,493	(3,616)	11,608
Growth and Development	8,746	11,490	14,455	2,965	(842)	1,000	4,527	(2,562)	2,965
Total Directorate Budgets	**539,364**	**602,652**	**633,136**	**30,484**	**6,207**	**23,235**	**19,591**	**(12,342)**	**30,484**
Total Use of Resources	**666,125**	**861,047**	**888,004**	**26,957**	**4,512**	**23,235**	**19,591**	**(15,869)**	**26,957**
Total forecast over / (under) spend	**0**	**0**	**39,755**	**39,775**	**3,409**	**23,235**	**34,725**	**(18,205)**	**39,755**
COVID 19 Government grant				**(64,782)**	0		(64,782)		**(64,782)**

						Memo: Breakdown of variance			
Forecast as at 31 December 2020	Original Approved Budget £000	Revised Budget £000	Forecast Outturn £000	Total Forecast Variance £000	Movement from last reported to Exec £000	COVID related Expenditure £000	COVID related income reduction £000	Other over / under spends £000	Total Forecast Variance £000
income (tranche 1 to 4) - Confirmed									
COVID 19 Sales, fees and Charges grant income – Forecast				**(10,200)**	(3,800)		(10,200)		**(10,200)**
Reprofile the use of reserves				**35,227**	391		35,227		**35,227**
Net forecast over / (under) spend				**0**	**0**		**18,205**	**(18,205)**	**0**

5.2 The original approved Directorate budget was £539.364m, and this has increased by £63.288m to a revised budget of £602.652m. This reflects a £56.394m increase to resources and directorate budgets for specific grants and spend relating to COVID-19. Note, this excludes funding for the business support grants schemes and the latest tranche of un-ringfenced support; the detail is included in Appendix 2. As well as the COVID funding this includes the budgets held corporately which have now been allocated totalling £6.894m as follows:

- £5.252m for the 2020/21 pay award allocated across all Directorates.
- £2.805m allocations for inflationary pressures,
    - £0.805m annual contractual inflationary increase on the waste collection and disposal contract,
    - £364k for a 2% inflationary increase on in house foster care allowances,
    - £200k inflationary uplift for external residential placements on the North West Regional Group network,
    - £190k annual inflationary increases on the Street Lighting PFI unitary charge relating to 2019/20 and 2021/22,
    - £32k increase for ongoing management costs of two landfill sites,
    - £40k increase for Bereavement Services,
    - £57k External Foster care inflationary uplift for increases of 1.5% on the North West framework applied to any new placements from 1 April 2020,
    - £0.600m Security contract increase to support the commitment that the workforce should be paid the Manchester Living Wage as a minimum which has added 15% to the cost of the service for which there is no budget provision. This was agreed as part of the re-tender process and the contractor have agreed to work with the Council to try to identify further savings,
    - £61k inflationary increase in business rates across the operational and investment estate,
    - £15k inflationary increase for short term breaks for children and young people, and
    - £441k inflationary increase on waste and street cleaning contract.
- £100k investment in Domestic Violence services for a trauma informed response.
- £50k increased budget in the Neighbourhoods Directorate for Domestic Abuse Capacity Building Fund grant.
- Reductions of £1.109m relating to a change in the Employer Pension Contribution rate following completion of the Pensions Actuarial Review.
- Reduction of £204k following re-procurement of the Council's utilities provision.

5.3 There have also been previously approved virements between Directorates to reflect the movement of services and other changes which are reflected in the above table.

5.4 The increase in total available resources of £194.922m includes

- £138.478m section 31 grant to reimburse the Council for loss of Business Rates income due to Extended Retail Relief. This will be held in a reserve to offset the associated collection fund deficit that is required to be funded in 2021/22,
- £56.394m increase to both resources and directorate budgets for specific grants and spend relating to COVID-19 not yet allocated, see Appendix 2; and
- £50k Domestic Abuse Capacity Building Fund grant to help local authorities plan and prepare for their new duty to provide domestic abuse support in safe accommodation.

5.5 All variances to forecast outturn are measured against the revised budget.

6 Conclusion

6.1 Taking into account the forecast financial implications of COVID-19, the directorate work to date on identifying additional savings and any other known budget changes and confirmed and anticipated government funding the budget will be balanced for 2020/21.

6.2 Whilst the position for 2020/21 and 2021/22 looks manageable the financial position from 2022/23 becomes much more challenging. The Medium-Term Financial Strategy and Budget 2021/22 elsewhere on the agenda sets out the financial context for ensuring future sustainability.

7 Recommendations

7.1 The recommendations appear at the front of this report.

Appendix 2:

Central Government COVID-19 Funding Announcements to Date

		Memo: Budget treatment		
Funding	**Manchester Allocation £000**	**Specific Directorate Budget Increase £000**	**Emergency Funding £000**	**Transfer payment * £000**
Grants announced since last Executive report:				
Adult Social Care - Workforce Capacity Fund	1,333	1,333		
Adult Social Care - Support increased testing in care homes	842	842		
Neighbourhood Services - Cultural recovery	882	882		
Neighbourhood Services - Community Champions Fund	621	621		
Self Isolation Support	379	379		
Administering Business Rates Relief (New Burden)	12	12		
Council Tax Hardship New Burdens	58	58		
Local Auth Disc Grant Fund New Burdens	101	101		
Neighbourhood Services - Contain Outbreak Management Fund**	5,749	3,538		
Clinically Extremely Vulnerable	266	266		
Holiday activity and food grant	385	385		
Sales, fees and charges grant (claim 1 of £3.7m confirmed to date)	10,200		10,200	
Grants Approved in previous Executive reports:				
Cross Cutting:				
COVID-19 Emergency Funding for Local Government - (£0.9bn nationally) - fourth tranche	24,330		24,330	
COVID-19 Emergency Funding for Local Government - (£1.6bn nationally) - first tranche	18,589		18,589	

		Memo: Budget treatment		
Funding	**Manchester Allocation £000**	**Specific Directorate Budget Increase £000**	**Emergency Funding £000**	**Transfer payment * £000**
COVID-19 Emergency Funding for Local Government - (£1.6bn nationally) - second tranche	15,167		15,167	
COVID-19 Emergency Funding for Local Government - (£0.5m nationally) - third tranche	7,085		7,085	
Social Care / Testing:				
Test and trace service (£300m nationally)	4,837	4,837		
Infection Control Round 2 (£546m nationally)	3,084	3,084		
Care Home Infection Control Fund Round 1 (£600m nationally)	3,342	3,342		
Neighbourhoods:				
Contain Outbreak Management Fund (£465m nationally) 12 Oct to 2nd Dec	4,423	4,423		
Local Authority Compliance and Enforcement Grant (£30m nationally)	453	453		
Growth and Development:				
Local Welfare Assistance Fund (£63m nationally)	957	957		
Clinically extremely vulnerable individuals advised to shield (for the period from 5 Nov to 2 Dec 2020)	286	286		
Childrens:				
Winter Grant Scheme (£170m nationally)	2,581	2,581		
Homelessness:				
Next Step Accommodation Grant, cold weather provision and landlord incentive funding	2,000	2,000		
Emergency Support for Rough Sleepers (£3.2m nationally)	68	68		
Corporate Core:				

		Memo: Budget treatment		
Funding	**Manchester Allocation £000**	**Specific Directorate Budget Increase £000**	**Emergency Funding £000**	**Transfer payment * £000**
Test and Trace Support Payment (£50m nationally)	680	680		
Council Tax Hardship Fund (£500m nationally)	7,458	300		7,158
Reopening High Streets Safely Fund (£50m nationally)	489	489		
Local Authority Business Rates Grant Administration (New Burden)	225	225		
Support for Businesses:				
Expanded Retail Discount 2020/21 (excludes 1% for Fire Authorities)	138,477			138,477
Small Business Grant Fund and Retail, Hospitality and Leisure Grant Fund (£12.3bn nationally)	121,032	5,432		115,600
Local Authority Discretionary Grants Fund				
Local Restriction Support Grant (open)	7,665			7,665
Local Restriction Support Grant (closed)	502			502
Local Restriction Support Grant (sector)	TBC			
Local Restriction Support Grant (closed addendum) - National Lockdown	11,187			11,187
LRSG Closed Add Jan	16,780			16,780
Closed Bus Lockdown Pay	33,552			33,552
£1k to pubs in tier 3	250			250
Local Restriction Support Grant (open) Version 2	199			199
Local Restriction Support Grant (closed) Version 2				
Local Restriction Support Grant (closed addendum) - Tier 4	4,791			4,791
Additional Restriction Grant (£60m allocated to Greater Manchester)	16,609	16,609		
Total grants	**467,926**	**56,394**	**75,371**	**336,161**

*The Council is acting as agent to administer the government scheme for grants to businesses. As the Council is acting as agent these payments will be netted off the grant received and will not be shown gross in the budget.
** Contain Outbreak Management Fund £5.749m is in addition to the £4.423m approved at December 2020 Executive meeting

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MANCHESTER
CITY COUNCIL

Appendix 1:
Executive Summary
Integrated Monitoring Report
Period 9 – End of December 2020

Financial Impact of COVID-19

The position:

The anticipated 2020/21 financial cost of COVID-19 to the Council is currently £164m. Of this £23.2m relates to additional expenditure and £140.8m to loss of income (most of which will impact the budget in future years).

The budget impact of COVID-19 up to March 2021 will be spread across the financial years 2020/21 to 2023/24 due to the way the council budgets for the airport dividend, parking income and the operation of the collection fund.

Government has published regulations to require billing authorities to spread their 2020/21 collection fund deficit over 3 years (2021/22 to 2023/24). The deficit is estimated at £41.5m - included in the forecast at £13.8m a year. From 2021/22. The Spending Review announced a 75% support income scheme for these losses.

This results in an estimated COVID-19 budget impact of £58m in 2020/21 (pre grant allocations) and £144m in 2021/22. The impact will continue beyond 2021/22.

The mitigation:

In year savings and mitigations have been identified to support the current year's position, these total £18.2m.

Tranche 1 to 4 emergency funding totals £64.8m (plus £0.4m used in 2019/20). £3.7m of round 1 COVID-19 emergency funding to support sales, fees and charges income losses has been confirmed, the round 2 claim is £3.4m and the 2020/21 total is estimated at £10.2m.

The recent funding announcement and other changes have provided additional resources totalling £35.2m which can be used to offset COVID related pressures which impact on the budget in future years, subject to any further in-year costs arising from COVID-19.

This leaves a **balanced budget for 2020/21** after expected funding and mitigations.

	Revised 2020/21
	£000
COVID-19 Budget impact of Additional Costs and Net income losses (includes mandatory smoothing of CF deficit)	57,960
COVID-19 Emergency Funding (Confirmed)	(64,782)
COVID-19 Sales, fees and charges support (estimate)	(10,200)
Savings, mitigations and other changes	(18,205)
Budget shortfall after expected funding/ mitigations	**(35,227)**
Use of reserves to part fund loss of income impacting future years	35,227
Total - Potential Budget Gap	**0**

Note the COVID-19 position is based on the round 9 return to MHCLG, which was submitted 29 January 2021

Any additional COVID costs in 2020/21 will be met through the adjusting the smoothing of reserves, if it cannot be accommodated through in-year BAU

Should any further capacity be created in 2020/21, this will enable the Council to further defer and reprofile the use of those reserves that were planned to support the budget position and which could be applied to reduce the gap in 2022/23.

Impact of COVID-19 from 2021/22

The 2021/22 budget impact of COVID is forecast at £144m from anticipated continuing income losses of £118.8m (council tax, business rates, dividend) as well as additional costs of £25.5m - recognising the social care needs (Adults and Children's) arising from COVID-19 are likely to be severe and will require an ever-increasing share of local authority budgets.

It is anticipated that Business Rates and dividend income will decline due to the expected downturn in the economy arising from COVID-19. These income losses are forecast to have a budget impact of £108.8m which includes the airport dividend of £62m (after using £8.7m in reserve) Collection Fund shortfalls £46.8m and sales fees and charges income of £10m.

The forecast £25.5m additional costs in 2021/22 are due to:

- £6.8m relates to ongoing implications for supporting those sleeping rough through the provision of 250 bed spaces on a more permanent basis as well as associated staffing support
- £13.5m for Adult Social Care. This includes anticipated increased complex discharges (£5m), increased demands on Home Care (£1.8m) and Residential care (£2.5m). There may also be additional staff costs to deal with the backlog of social care assessments for those discharged under COVID-19 arrangements (c £0.8m). In addition, there will be additional demands for public health services which would cost an additional £0.8m in 2021/22. Beyond 2020/21 there are likely to be permanent increases in personal protective equipment (PPE) and salary costs estimated at £2.5m. Early indications from recent numbers of referrals into the safeguarding hub is demonstrating that families have struggled over the past few months and are now asking for support. Some of these requests for support will translate into care packages.
- Spikes in demand for children's social care placements £3.8m. As lockdown measures are lifted, there is a concern that this will lead to an increase in referrals into Children's Services.
- £1.2m anticipated pressures relating to Leisure services
- £131k in Coroners due to a backlog of inquests and £113k estimated increased costs of the May elections

Period 9 - High Level Headlines 2020/21

The net variations below total **£39.755m** which reflects the COVID-19 budget impact of £57.960m partly offset by in year savings, mitigations and other changes of £18.205m but before COVID-19 main funding.

Corporate Budgets £9.271m overspend. COVID related income loss is forecast as £15.134m from dividend losses. Partly offset by £1.674m contingency and budgets to be allocated no longer required, increased Public Health grant allocation of £1.018m, £0.537m income from historic rents, £387k fortuitous rental income, £394k additional grant income, £0.515m reduced historic pension costs and £1.343m savings against budgets to be allocated.

Children's Services £1.355m underspend. COVID related expenditure and income loss is forecast to be £1.303m, this is offset by underspends of £2.658m in the following areas: an underspend due to increasing effective commissioning activity, in-year savings through delaying restructures, vacancies, renegotiation of partner contribution, additional grant and efficiencies. Alongside the savings, there are a number of existing pressures relating to legal charges, short breaks and contribution to multi-agency child placements.

Adult Social Care £6.465m overspend. COVID related expenditure is forecast to be £9.850m, this is offset by underspends totalling £3.385m in the following areas: Provider Services of £136k (nb there are a number of significant variations which offset and are detailed on the ASC financial headlines slide) ; Hospital Teams, Front door and TEC of £145k; Integrated Neighbourhood Teams of £1.529m mainly from Homecare; Complex Services £45k overspend; Population Health of £106k; Commissioning £0.910m due to a delay in opening new extra care schemes and new sheltered housing schemes ; Back office of £440k; MHCC underspend of £155k due to recruitment delay; and £9k underspend in MCC Outside of pool.

Homelessness £6.383m overspend. COVID related pressures of £4.953m, increased by a further £1.430m due to the net impact of savings, mitigations and other changes. This is due to an increase in Dispersed Accommodation placements, Bed and Breakfast (B&B) numbers being higher than in previous years, and bad debt provision review; this is partly offset by staffing underspends.

Corporate Core £4.418m overspend. Due to £5.969m COVID related pressures which are partly offset by in year savings, and mitigations of £1.551m. This is made up of an underspends in Chief Executives £1.106m mainly due to savings on employees' and running costs, savings in Elections because of the cancelled elections offset by historic catering costs to Manchester Central and reduced take up of the annual leave purchase scheme; and Corporate Services £445k mainly due to employee savings, additional capital programmes fee income and higher than forecast savings from the upfront payment of employer contributions.

Neighbourhoods Directorate £11.608m overspend. COVID related pressures of £15.224m, made up of £4.731m increased expenditure and £10.493m loss of income. This is offset by in year savings and mitigations of £3.616m across the Directorate. This is mainly due to the employee savings in galleries and libraries, parks and leisure, and compliance and community safety, along with £0.605m higher than forecast income from highways capital works, and £488k in bereavement services.

Growth and Development £2.965m overspend. COVID pressures of £5.527m, made up of £1.000m increased expenditure and £4.527m loss of income. This is offset by in year savings and mitigations of £2.562m through a combination of staff savings and additional income across the service.

Period 9 monitoring	Gross position Including COVID impact					Memo: Breakdown of variance			
	Original Approved Budget	Revised Budget	Forecast Outturn	Total Forecast Variance	Movement from last Exec	COVID related Expenditure*	COVID related income reduction*	Savings, mitigations and other changes	Total Forecast Variance
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Total Available Resources	(666,125)	(861,047)	(848,249)	12,798	(1,103)	0	15,134	(2,336)	12,798
Total Corporate Budgets	126,761	258,395	254,868	(3,527)	(1,695)	0	0	(3,527)	(3,527)
Children's Services	130,320	134,769	133,414	(1,355)	562	674	629	(2,658)	(1,355)
Adult Social Care	221,253	234,448	240,913	6,465	(256)	9,850	0	(3,385)	6,465
Homelessness	15,285	17,604	23,987	6,383	1,216	4,919	34	1,430	6,383
Corporate Core	69,958	95,717	100,135	4,418	2,594	2,061	3,908	(1,551)	4,418
Neighbourhoods Directorate	93,802	108,624	120,232	11,608	2,933	4,731	10,493	(3,616)	11,608
Growth and Development	8,746	11,490	14,455	2,965	(842)	1,000	4,527	(2,562)	2,965
Total Directorate Budgets	**539,364**	**602,652**	**633,136**	**30,484**	**6,207**	**23,235**	**19,591**	**(12,342)**	**30,484**
Total Use of Resources	**666,125**	**861,047**	**888,004**	**26,957**	**4,512**	**23,235**	**19,591**	**(15,869)**	**26,957**
Total forecast over / (under) spend	**0**	**0**	**39,755**	**39,755**	**3,409**	**23,235**	**34,725**	**(18,205)**	**39,755**
COVID 19 Government grant income (tranche 1 to 4) - Confirmed				(64,782)	0	(64,782)			(64,782)
COVID-19 Sales, Fees and Charges grant Income - Forecast				(10,200)	(3,800)	(10,200)			(10,200)
Reprofile the use of reserves to fund income losses in future years				35,227	391	35,227			35,227
Net forecast over / (under) spend				**0**	**0**	**18,205**		**(18,205)**	**0**

* COVID-19 pressures as per round 9 return to MHCLG submitted on 29 Jan 2021

Investments

Investment Priorities	2020/21 Budgeted Investment £000	2020/21 Full Year Committed Investment £000	Objective / Update on progress / Outcomes
Neighbourhoods Directorate Investment			
Capacity for further pressures including Domestic Violence	100	100	Investment will support earlier identification and intervention working with key partners and agencies. Bid for investment identified there was a 6-8 month lead in period needed to codesign interventions. This has been delayed due to COVID which has a had knock on impact on forecast spend this year. The budget has been mainstreamed for 2021/22 at £230k.
Anti-Social Behaviour team	540	540	Additional funding for the ASBAT team to address the increasing number of cases of antisocial behaviour across the city which have increased by 34% during lockdown compared to the same period last year. The budget is to be mainstreamed in future years at £495k.
Spring Challenge Fund	250	0	Due to lockdown the Spring challenge did not take place, the programme is currently being reviewed.
Total Neighbourhoods Investment	890	640	
Corporate Core Investment			
Our Transformation Investment £1m over 3 years	333	193	Funding for additional capacity of three FTE at 50% along with external support for system implementation etc. The remaining £140k has been released in year towards the savings for 2020/21.
Total Corporate Core Investment	333	193	
Growth and Development Investment			
Deliver Carbon Reduction Plan	1,000	100	This is to fund a dedicated team to deliver the commitments within the Carbon Reduction Plan, recruitment of three officers is anticipated by Q3. This funding is to be profiled over three years to support work to identify and deliver large scale remote renewable energy projects. This includes procuring a Solar PV partner, deliver a Zero Carbon whole building retrofit pilot and develop an accelerated boiler replacement programme. Progress towards the carbon reduction plan this year to date includes - 20% completion of LED lighting for the Town Hall Extension, Solar panels installed Wythenshawe Forum roof, charging stations and electric vehicles on site at Hooper St Depot and Hydrozero pilot in two libraries
Housing Investment Reserve - support implementation of Local Delivery Vehicle	100	100	The £100k initial investment was to provide additional capacity to allow work to establish the viability of a Manchester bespoke scheme, identify indicative land and any title or grant issues, and develop a report leading to full approval of a model by Summer 2020.
Total Growth and Development Investment	1,100	200	
Total Investment	2,323	1,033	

Original Budgeted Savings

2020/21 Approved Savings - Of the £7.463m original planned savings, £1.498m are rated as red, which were to be delivered by Homelessness, Neighbourhoods and Growth and Development. The capacity to deliver savings has been greatly reduced with the impact of COVID-19.
All red rated savings are included as overspends in the Directorate's Period 9 position. Amber savings remain as being achievable but with risk attached.

	Savings Target 2020/21			
	Green	Amber	Red	Total
	£000	£000	£000	£000
Children's Services	0	0	0	**0**
Adults Social Care	0	0	0	**0**
Homelessness	0	0	1,000	**1,000**
Corporate Core	3,303	146	0	**3,449**
Neighbourhoods Directorate	1,941	35	348	**2,324**
Growth and Development	200	340	150	**690**
Total Budget Savings	**5,444**	**521**	**1,498**	**7,463**

Amber Risk savings of £0.521m include:

Corporate Core - £146k
- £96k from annual leave purchase scheme, may increase later in the year
- £50k Capital programmes increased income at risk due to slippage

Neighbourhoods Directorate- £35k
- £35k Highways: Increase permit/license fees (skips, hoardings, scaffold, etc.) by 3.5%.

Growth and Development - £340k
- £340k Reduced investment income relating to Project Quantum that will need to allow additional lead time for developers due to COVID-19.

Red High Risk savings of £1.998m include:

Homelessness - £1.000m
- A reduction in the cost to the council of temporary accommodation through transfer to registered providers is not being achieved due to senior staff in Homelessness focusing on the COVID 19 response. Work is ongoing to implement a pilot with a registered provider. Procurement and Legal are reviewing revised timescales.

Neighbourhoods Directorate - £348k
- £21k income from Pest Control due to restricted service offer
- £20k Car park income from pay and display at Heaton Park due to closure
- £30k Other income from Heaton Park due to park closure
- £40k Galleries exhibition tax relief.
- £46k Libraries and galleries income generation due to closures
- £86k from revised operating model at Piccadilly Market
- £105k Highways increase income generation through fees and charges across compliance

Growth and Development - £150k
- £150k Investment Estate additional income target delayed due to the additional lead time for developers and the impact of Covid-19.

COVID-19 Grant Allocations

Grant	Total Amount £000	Directorate	Spend to Date £000	Plans
COVID-19 Emergency Funding for Local Government - (tranches 1 to 4)	65,171	All	65,171	To partly offset COVID-19 related additional costs and income losses as reported in monthly returns to MHCLG.
Care Home Infection Control Fund Round 1 (£600m nationally)	3,342	Adults Social Care	3,184	All providers which have met the grant conditions and signed the grant agreements have been paid. The funding ended 30th September.
Care Home Infection Control Round 2	3,084	Adults Social Care	2,282	There is a commitment for 80% proportion of the funding for care homes is to be paid. Plans for the remaining 20% allocation are being reviewed.
Test and trace service (£300m nationally)	4,837	Population Health	121	The funding is to ensure that appropriate systems are in place for outbreak management and prevention of COVID-19.
Next Step Accommodation Grant, cold weather provision and landlord incentive funding	2,000	Homelessness	1,681	£1.6m of funding linked to accommodation provision from July to March with £2.6m associated costs (£300k per month). £400k of provision relates to expenditure to be incurred November to March.
Emergency Support for Rough Sleepers (£3.2m nationally)	68	Homelessness	68	To provide emergency support for rough sleepers to self -isolate during the coronavirus outbreak
Council Tax Hardship Fund (£500m nationally)	7,458	Corporate Core	6,732	The majority of this is the £150 hardship fund payable to a working age claimant in receipt of council tax support. It is anticipated that the number of claims November onwards will fully utilise this grant. Other funding is for food poverty, carers and WPS
Reopening High Streets Safely Fund (£50m nationally)	489	Corporate Core	337	Communication, public information and Business facing awareness raising activities to ensure reopening of local economies to be managed successfully and safely.
Local Welfare Assistance Fund (£63m nationally)	957	Growth and Development	TBC	To assist those struggling to afford food and other essentials due to the financial impact of COVID-19.
Local Authority Business Rates Grant Administration (New Burden)	225	Corporate Core	225	To support the additional Business Rates Administration
Contain Outbreak Management Fund (pre 2nd Dec)	4,423	Neighbourhoods and Population Health	Nil	Led by Public Health working collaboratively with other teams in MCC fund activities such as Test and Trace, VCSE, Comms and the 4Es of Compliance and Enforcement.
Contain Outbreak Management Fund (Post 2nd Dec)	5,749	Neighbourhoods	Nil	The fund will be increased so that it can provide monthly payments to LA's facing higher restrictions until the end of the financial year

COVID-19 Grant Allocations

Grant	Total Amount £000	Directorate	Spend to Date £000	Plans
Test and Trace Support Payments (Self Isolation Scheme)	1.509	Corporate Core	821	Allocation to assist individuals who have been formally notified to self-isolate; individuals who are on low income can apply, two allocations £0.680m and £379k.
Local Authority Compliance and Enforcement Grant	453	Neighbourhoods	240	Manchester's share of the national allocation to support additional compliance and enforcement activities. Grant not received to date.
Clinically Extremely Vulnerable individuals advised to shield phase 1	286	Growth and Development	Nil	To provide support to clinically extremely vulnerable individuals who are required to shield under national restrictions (5 Nov to 2 Dec). To be delivered through the Manchester Community Hub
Cultural Recovery	882	Neighbourhoods	611	To support the culture sector. Second and third tranches of grant to be received on 30 Dec and 28 April
Winter Grant Scheme (£170m nationally)	2,581	Children's Service's	1,680	To support the hardest hit families and individuals for the cost of food and bills to the end of March 2021.
Sale, fees and charges grant (claim 1 of £3.7m confirmed to date)	10,200	Corporate Budgets	7,040	A support package for losses from Sales, fees and charges. Claims 1 and 2 total £7.040m, claim 3 estimated at £3.160m
Council Tax hardship and Business Rates relief admin grant (New Burdens)	70	Corporate Core	70	To support the additional Council Tax and Business Rates Administration
Support increased testing in care homes	842	Adult Social Care	640	This is ringfenced for lateral flow device testing in Adult Social Care. 80% of funding is protected for care homes and drug / alcohol residential services to be distributed in February. Remaining allocation of 20% is under review.
Community champions fund	621	Neighbourhoods	Nil	To work with community-based organisations to protect those at risk from COVID 19.
Workforce Capacity Fund	1,333	Adult Social Care	Nil	Funding is to supplement and strengthen ASC staff capacity to ensure safe and continuous care is achieved, internally and externally.
Local Authority Discretionary Fund Grant (New Burdens)	101	Corporate Core	Nil	To support additional administration of Local Authority Discretionary Fund Grants to businesses
Clinically Extremely Vulnerable individuals advised to shield phase 2	266	Growth and Development	Nil	To provide support to clinically extremely vulnerable individuals who are required to shield under national restrictions (5 - 31 Jan). To be delivered through the Manchester Community Hub. Further funding is expected for February at the same rate, where shielding guidance remains in place.
Holiday activities and food	385	Neighbourhoods	Nil	To make free places at holiday clubs available for children, who receive benefit related free school meals, in the Easter, summer and Christmas school holidays in 2021

COVID-19 Grant Allocations – Business Support (Corporate Core)

Grant	Total Amount £000	Spend to Date £000	Plans
Expanded Retail Discount 2020/21 (excludes 1% for Fire Authorities)	138,477	138,477	To provide 100% business rates relief to retail, hospitality and leisure properties in 2020/21
Small Business Grant Fund and Retail, Hospitality and Leisure Grant Fund(£12.3bn nationally)	121,032	106,095	To provide business support grants to small, retail, hospitality and leisure businesses across the city, ranging from £10k to £25k depending on size of property.
Local Authority Discretionary Grants Fund		5,418	To provide discretionary business support grants to businesses who do not necessarily have a business rates liability. Grants range from £5k to £25k.
Local Restriction Support Grant (open)	7,665	7,248	To provide support to Manchester businesses that remained open but were impacted during Tier 2 and Tier 3 local restrictions (5 August to 4 November). Includes 5% discretionary element. No further funding will be provided.
Local Restriction Support Grant (closed)	502	271	To provide support to Manchester businesses that closed during the Tier 3 restriction period (23 October to 4 November). Further funding will be provided if grants exceed allocation.
Local Restriction Support Grant (sector)	TBC (c£21k)	86	To provide support to Manchester businesses have been that closed since March, namely nightclubs and adult entertainment venues (1 November to 4 November). Further funding will be provided if grants exceed allocation.
Local Restriction Support Grant (closed addendum) - National Lockdown	11,187	5,687	To provide support to Manchester businesses forced to close in the second national lockdown period (5 November to 2 December). Further funding will be provided if grants exceed allocation.
Local Restriction Support Grant (open version 2 - post 2 Dec)	199	46	To provide support to Manchester businesses that remained open but were impacted during Tier 3 local restrictions (post 2 December).
Local Restriction Support Grant (closed version 2 - post 2 Dec)	4,791	2,512	To provide support to Manchester businesses that closed during the Tier 3 restriction period (post 2 December). Further funding will be provided if grants exceed allocation.
LRSG Closed Addendum Tier 4		928	To support businesses mandated to closed from entering Tier 4 restrictions on 31 Dec

Business support grant allocations to 31 January 2021

COVID-19 Grant Allocations – Business Support (Corporate Core)

Grant	Total Amount £000	Spend to Date £000	Plans
Christmas Support Grant	250	203	To provide £1,000 support grant to wet led public houses, bars and clubs.
LRSG Closed Add Jan	16,780	7,634	To provide support to Manchester businesses that closed during lockdown 5 Jan to mid Feb (when lockdown is lifted)
Closed Bus Lockdown Pay	33,552	16,305	Lockdown 3 grant up of £4,000, £6,000 or £9,000 one off payment (depending on RV /size of property)
Additional Restriction Grant (£60m allocated to Greater Manchester)	16,609	1,021	To provide support to Manchester businesses forced to close in the second national lockdown period (5 November to 2 December). Further funding will be provided if grants exceed allocation.

Business support grant allocations to 31 January 2021

Budgets to be allocated from Corporately held Inflation, virements and unbudgeted external grant funding

Budget to be allocated	2020/21	Description
	£000	
Education - Short breaks	15	10% uplift due to increase in National Living Wage and the implications of Pension auto enrolment on the befriending service which supports many children and young people who may be on the edge of care.
Neighbourhood Directorate – waste and street cleaning	441	Inflationary increase on the waste and street cleaning contract, mainly relating to pay award increases

Virements	2020/21	Description
	£000	
City Centre Regeneration to Policy, Partnership and Resource	489	Movement of High Street Recovery grant from City Centre Regeneration to Policy, Partnership and Resource
Facilities Management to several directorates	276	Reallocation of security cost increase
Policy, Partnership and Resource to City Centre Regeneration	387	Transfer the infrastructure of staff from planning and policy to City Centre Regeneration
Education Attendance (within Children's Services non pay to pay budget transfer)	190	The Early Help Hub and Prosecutions activity with One Education has now ended and these services have been brought in house. This has resulted in 5 staff being TUPE to the Council. The £190k virement transfers non pay budget to pay budget to align the budget requirements.

Unbudgeted external grant funding	2020/21	Description
	£000	
MHCLG Rough Sleeping and alcohol treatment	854	MHCLG grant funding is available for Taskforce Priority areas which have the highest numbers of people sleeping rough who have been moved into emergency accommodation during the pandemic. The funding aims to meet the needs of people experiencing rough sleeping or at imminent risk of rough sleeping and who require support from the substance misuse community treatment service.
DEFRA port health transition fund	34	The spend will improve performance and capacity for the airport team to deal with additional work created by EU exit

Corporate Budgets £9.271m overspend

	Gross position including COVID impact				Memo: breakdown of variance	
	Annual Budget	Projected Outturn	Projected Variance from Budget	Movement from Exec	Covid related pressures	Savings, mitigations and other changes
Resources Available	£000	£000	£000	£000	£000	£000
Retained Business Rates	(309,692)	(310,710)	(1,018)	0	0	(1,018)
Council Tax	(174,465)	(174,465)	0	0	0	0
Other Specific Grants	(123,086)	(123,480)	(394)	(70)	0	(394)
Business Rates Grants	(168,333)	(168,333)	0	0	0	0
Dividends	(62,890)	(47,756)	15,134	(676)	15,134	0
Use of Reserves	(22,581)	(22,581)	0	0	0	0
Fortuitous Income	0	(924)	(924)	(357)	0	(924)
Total Corporate Resources	**(861,047)**	**(848,249)**	**12,798**	**(1,103)**	**15,134**	**(2,336)**
Planned Use of Resources	£000	£000	£000	£000	£000	£000
Other Corporate Items	203,251	203,251	0	0	0	0
Contingency	860	300	(560)	(560)	0	(560)
Budgets to be Allocated	3,427	970	(2,457)	(1,114)	0	(2,457)
Levies	41,277	41,282	5	0	0	5
Historic Pension Costs	9,580	9,065	(515)	(20)	0	(515)
Total Corporate Budgets	**258,395**	**254,868**	**(3,527)**	**(1,695)**	**0**	**(3,527)**
Total	**(602,652)**	**(593,381)**	**9,271**	**(2,798)**	**15,134**	**(5,863)**

Movement since last reported to Executive - £2.798m reduced pressure. This is due to £1.674m contingency and budgets to be allocated no longer required and released to support the position, an improvement in dividends due to receipt of £0.500m rental income and £176k Piccadilly triangle, £357k in fortuitous income due to additional rental income, £70k further New Burdens Funding and £20k historic Pension Costs.

COVID related Pressures (£15.134m):

- £15.810m of dividend income from Manchester Airport Group and National Car Parks is unlikely to be received due to the impact of COVID 19. This has improved since last report due to the receipt of £0.500m rental income and £176k received from Piccadilly Triangle. (Note a significant element of the Airport Dividend is used a year in arrears so the reserve use is still reflected)

Savings, mitigations and other changes (£5.863m)

- There is an increase of £1.018m on the Retained Business Rates budget due to the late announcement of Public Health allocation for 2020/21 which increased the Council's Baseline Funding Level and reduced the Tariff payment due to Government.
- Council Tax is forecast to budget as changes in the level of collection impact on the following years.
- The over-achievement on Other Specific Grants is due to £70k further New Burdens funding relating to Council Tax Hardship admin and Business Rates Relief admin, resulting in a total overachievement of £468k on New Burdens funding. Offset by lower than budgeted allocations for Council Tax Subsidy Grant of £7k and Care Act Grant of £67k following allocation confirmation from Government.
- Fortuitous income includes historic rents recovered from an agent managing properties on behalf of the council of £0.537m. Rental income relating to 2019/20 has been confirmed as £30k more than estimated and additional rental income relating to 2020/21 is now expected to be £357k more than budget.
- Business Rates Grants reflect £138.477m Section 31 grant to reimburse the council for loss of Business Rates income due to Extended Retail Relief. This will be held in a reserve to offset the associated collection fund deficit in 2021/22.
- £0.560m of the Contingency budget is no longer required and released to support the revenue budget.
- Budgets to be Allocated have a surplus of £2.457m made up of £1.114m budget no longer required and released to support he position, £309k Pension Contribution rate reducing by 0.2% more than expected, £204k from utility savings, and £0.900m release of funds held for investment. £100k of the £1m set aside will be spent in 2020/21 on an initiative to revise the approach to Domestic Violence.
- The overspend of £5k on levies is due to the Flood Levy and the Port Health Levy being £1[illegible]k higher than expected, offset by the Probation Loan payment which was £9k lower than expected.
- Historic pension costs are currently forecast to underspend by £0.515m; £282k is due to reduced recipients and £233k reduction is due to revised Additional Allowance payments from Tameside MBC, based on actuals to November, reducing the monthly costs for the remainder of the year by £58k per month.

Children's and Education Services - £1.355m underspend

Children's and Education Services	Gross position including COVID impact					Memo: Breakdown of variance	
	Annual Budget	Net actual spend to date	Projected Outturn	Projected Variance from Budget	Movement from last reported to Exec	COVID related impact	Savings, mitigations and other changes
	£000	£000	£000	£000	£000	£000	£000
LAC Placements	47,736	27,905	48,158	421	1,000		421
Permanence and Leaving Care	18,345	10,899	16,045	(2,300)	(580)		(2,300)
Children Safeguarding Service Areas	44,019	33,430	42,898	(1,121)	(565)	336	(1,457)
Children's Safeguarding	110,100	72,234	107,101	(3,000)	(146)	336	(3,335)
Education Services	9,319	5,576	10,778	1,459	664	967	492
Home to School Transport	9,907	1,071	9,938	31	(92)		31
Targeted Youth Support Service	807	0	807	0	0	0	0
Education	20,034	6,647	21,523	1,489	572	967	522
Children's Strategic Management and Business Support	4,635	4,079	4,792	156	136	0	156
Total Children's and Education Services	**134,769**	**82,960**	**133,414**	**(1,355)**	**562**	**1,303**	**(2,658)**

Children's and Education Services: Period 9 (1 of 2)

Outputs and Cost-Drivers	Desired Performance	Period	Performance	Are we better than...?					
				Target		Last Period		Last Year	
Number of Looked after children (snapshot at month end)	Low	Dec-20	1,395	n/a		17		-15	
Number of External Fostering Placements (snapshot at month end)	Low	Dec-20	404	n/a		-7		-49	
Number of Internal Fostering Placements (snapshot at month end)	High	Dec-20	310	n/a		4		19	
Number of External Residential Placements (snapshot at month end)	Low	Dec-20	89	n/a		-3		-16	
Number of Internal Residential Placements (snapshot at month end)	Low	Dec-20	3	n/a		0		-6	
Number of Special Guardianship Orders (projected year end)	High	Dec-20	55	70		2		-9	
Number of active Special Guardianship Order Allowances	Low	Dec-20	592	n/a		2		16	
Number of Adoptions (projected year end)	High	Dec-20	24	60		-3		-16	
Number of active Adoption Allowances	Low	Dec-20	132	n/a		-1		-41	
Number of active Child Arrangement Order / Residence Order Allowances	Low	Dec-20	45	n/a		0		-15	
Number of Referrals per month (total per month)	Low	Dec-20	676	919		10		138	
% of Re-Referrals (year to date)	Low	Apr 20 - Dec 20	19.7%	22.1%		0.6%pts		-4.9%pts	
Number of Children in Need (snapshot at month end - now includes care leavers)	Low	Dec-20	5,252	4,878		36		50	
Number of Child Protection Plans (snapshot at month end)	Low	Dec-20	609	728		-28		-108	
% of children starting a CPP for a 2nd or subsequent time (year to date)	Low	Apr 20 - Dec 20	22.0%	22.0%		-1.4%pts		-2.7%pts	
% of children ceasing a Child Protection Plan, subject to that plan for 2+ years (YTD)	Low	Dec-20	5.4%	4.0%		-0.6%pts		1.9%pts	
Number of Education, Health and Care Plans	Low	Dec-20	5,230	n/a		-20	n/a	628	

Note: Fostering and Residential placement figures reported here may differ from figures reported by Finance due to different data collection systems and calculation methodologies

Children's and Education Services: Period 9 (2 of 2)

Performance Analysis

- The number of Looked After Children (LAC) has increased compared to last month but is lower than at this point last year
- External Fostering placements have decreased this month and there has been an increase in Internal Fostering placements. External fostering numbers remain lower than at this point last year and Internal Fostering numbers have increased, improving the ratio of External to Internal fostering placements
- The number of children placed in External Residential placements has decreased and remains lower than last year. Internal Residential placements have stayed the same as last month and remain lower than last year
- The number of Special Guardianship Orders (SGO) projected to have been granted by year end has increased slightly this month but remains lower than target and last year at this time. Projected adoptions are significantly lower than target and lower than last year. This can be at least partly explained by a decrease in court capacity during lockdown and subsequent significant delays in the court process. This is also a regional and national issue.
- The number of active SGO Allowances has increased slightly compared to last month but remains significantly higher than last year. Active financial assistance for adoptions has decreased slightly from last month but is significantly lower than at this point last year and active Child Arrangement Orders/Residence Orders have remained the same compared to last month and lower than last year
- The number of referrals this month has continued at levels more in keeping with the rest of the year following a significant increase in October. Numbers are higher than at this point last year but remain below target.
- Re-Referrals have decreased slightly, however are also below target and have reduced significantly compared to last year
- The number of Children in Need (CIN) has increased slightly this month. The number of CIN is now slightly higher than at this point last year
- The number of Child Protection Plans has decreased again this month and is significantly lower than last year and the target
- The percentage of repeat Child Protection Plans has also decreased. This measure is now at the target and is lower than at this point last year
- The percentage of Child Protection Plans ending where the child was on a Plan for more than two years has decreased this month but after previous increases remains above target and last year's figure.
- The number of active Education, Health and Care Plans has decreased slightly this month

Children's and Education Services Financial Headlines (1 of 2)

Children's Services revenue budget totals £134.769m

- The overall forecast position as at Period 9 is an underspend of £1.355m, this is made up of;
- Covid-19 pressures through increased costs and reduced income - £1.303m;
- Partly offset by savings, mitigations and other changes of net £2.658m underspend.
- Key movements since last month relate to reduction in Supported Accommodation placements and favourable movement in Social Work due to vacancies.
- Outturn position reflects part year effect of early achievement of the 2021/22 savings.

COVID related Pressures and Shortfalls in Income (£1.303m):

This includes COVID-19 pressures of £0.674m and shortfalls in income of £0.629m relating primarily to additional spend for Short Breaks during lockdown, PPE equipment and support for schools care. The service has reviewed its 'front door' arrangement to strengthen the response to identify children in need of help/protection and the multi-agency response'. The impact is being closely monitored. Currently there is an underlying underspend in safeguarding but due to Covid-19 and lockdown measures demand for services has been suppressed, the early help hubs are seeing an increase in requests for a targeted offer of intervention and requests for support which appear to be driven by hardship, intrafamilial relationships and incidents of domestic abuse. The Social Work Teams are now receiving requests for social work intervention that compare to 'pre-COVID' levels. Demand for Children's Services may increase as there are multiple factors influencing demand and activity for Children's Services such as deprivation, domestic abuse, substance misuse and adult mental health have been heightened due to the pandemic. Home to School transport is incurring additional costs due to high level of passenger assistant's absence due to need to self isolate, the financial impact of this is yet to be quantified and is not yet included.

Savings, mitigations and other changes (£2.658m)

Manchester's Children and Education Services continues on a 'journey to excellence' to increase the effectiveness of services and outcomes for children and young people. The current position indicates that implementation of the strategy has started to lead to efficiencies and service underspends.

This includes the following:

An underspend of £4.584m on Children's Services and Education due to increasingly effective commissioning activity with improved processes through liquid logic/controcc and work with providers. There are also in-year savings through delaying restructures, vacancies, renegotiation of partner contribution, additional grant and efficiencies. Alongside the savings there are a number of existing pressures relating to legal charges, short breaks and placements totalling £1.926m which after taking this into account is a net saving totalling £2.658m - detailed on next slide. A number of the underspends are early achievement of the proposed 2021/22 savings.

Children’s and Education Services Financial Headlines (2 of 2)

Savings/underspends and other mitigations - (£2.658m) made up of:

Other non COVID-19 related pressures (£1.926m pressures):

- Education Services overspend of £0.522m mainly due to additional demand for Short Breaks;
- Legal Services £204k overspend based on activity and use of external legal services due to staff turnover of the Council’s in house legal support;
- Strategic Management overspend of £200k as a result of a M People placements; and
- £1m increased contribution to multi-agency children's placements.

Offset by savings/underspends and other mitigations (£4.584m savings):

- No Recourse to Public Funds - £0.799m based on current levels of activity, a large part of this underspend has been offered up as an efficiency saving;
- Unaccompanied Asylum Seeking Children (UASC) - £1.050m Home Office grant has increased per child, particularly for those over 18, the Council can now seek to ensure that sufficient support is provided to UASC as long-term support is not currently covered by the grant;
- Our Children Care, Permanence placements and Leaving Care Service - underspend of £0.956m based on current placements and support provided to date;
- Children’s Localities, Permanence, Fostering and Adoption Service underspends £1.779m.

The Dedicated Schools Grant (DSG) is projecting an in-year overspend by £393k, the overspend is due to the high needs block, which supports children with special education needs and special school places. DSG received additional high needs funding (after recoupment) in 2020/21 of £11.719m, of which £9.884m was to meet demands, work is on-going in reviewing the areas of pressure within high needs. As at period 9 the cumulative DSG deficit is £3.476m.

Movement since last reported to Executive - £0.562k increased pressure

- Reduction in Leaving Care placement costs by £0.580m, - Leaving Care Supported Accommodation placements are 20 below budgeted placements of 93 and have reduced since the last report to the Executive and Unaccompanied Asylum Seeking Grant income is now higher than previously anticipated.
- Reduction in Children Safeguarding areas costs by £0.565m - movement reflects disestablishment of Families First saving and vacancies in Localities.
- Increased contribution to multi-agency child placements of £1m.
- Increase in Education Services pressure by £0.572m mainly as result of the pressures within. The increase in the overspend from the previous period is due to an increase in Quality Assurance and Short Breaks, offset by reduced overspend on transport.
- Core and Strategic Management increase in pressure of £136k mainly due to 3 unfunded posts.

Adult Social Care and Population Health - £6.465m overspend

Adult Social Care and Population Health	Gross position including COVID impact					Memo: Breakdown of variance	
	Annual Budget	Net actual spend to date	Projected Outturn	Projected Variance from Budget	Movement from last reported to Exec	COVID related impact	Savings, mitigations and other changes
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Provider Services	27,787	19,994	28,153	366	559	502	(136)
Hospital Teams, Front door and TEC	2,491	697	2,597	106	(69)	251	(145)
Integrated Neighbourhood teams	40,146	22,846	46,523	6,377	(833)	7,906	(1,529)
Complex Services (LD, MH, Transition)	88,374	59,870	88,987	613	(102)	568	45
Population Health	41,567	24,423	41,989	422	(4)	528	(106)
Commissioning MLCO	4,277	2,303	3,367	(910)	(104)	0	(910)
Budget growth and back office	5,630	(4,141)	5,245	(385)	325	55	(440)
Total ASC Pooled Budget	210,272	125,992	216,861	6,589	(228)	9,810	(3,220)
MHCC	19,320	14,102	19,205	(115)	(2)	40	(155)
MCC – ASC outside of Pool	4,856	3,025	4,847	(9)	(27)	0	(9)
Total ASC and Population Health	**234,448**	**143,090**	**240,913**	**6,465**	**(256)**	**9,850**	**(3,385)**

Adult Social Care: Period 9

Outputs and Cost-Drivers	Desired Performance	Period	Performance	Are we better than...? Target		Last Period		Last Year	
No of MOAT per 100,000 of the 18+ population	Low	Nov-20	12.3	Under Review		0.5		N/A	
Total number of people in Residential Care (65+) at the end of the month	Low	Dec-20	746	TBC		4		-48	
Total number of people in Nursing Care (65+) at the end of the month	Low	Dec-20	374	TBC		6		2	
Weekly Homecare hours (snapshot at end of month)	Low	Jun-19	26,826	TBC		51		-121	
% of Adults receiving a Long term service awaiting a review (Annual Review backlog as a % of people receiving long term services)	Low	Jul-19	34.60%	TBC		-0.9%pts		2.2%pts	
% people leaving Reablement with no ongoing care commitments	High	Dec-20	62.60%	54.00%		6.6%pts		10.8%pts	
% of safeguarding enquiries which resulted in the desired outcome identified by the individual being achieved	High	Dec-20	67.90%	TBC		1.9%pts		-8.1%pts	
The number of carers receiving carers-specific services (per 10,000 popn)	High	Mar-20	29.5	TBC		n/a		-13	

Performance Analysis

Total Older People in Residential and Nursing Care - Total numbers aged 65+ recorded as being in either residential or nursing care at the end of the month have shown a small decrease overall in the last period. Those reported as being in residential care showed a small increase of 14 (from 742 to 746), with an increase of 6 people in nursing care (368 in Period 8, to 374 in Period 9). Nursing home levels are now back to those reported before the pandemic with the year-to-date average of 2019/20 being 363. These figures include everyone recorded as being in receipt of either of these services, including those who were discharged from hospital into a home as a result of COVID, within Liquid Logic. New admissions on discharge from hospital continue to be paid for by Manchester Health and Care Commissioning (MHCC) for 6 weeks so the impact of these will not yet be hitting the ASC budget.

Outcomes following Reablement - Outcomes following Reablement have fallen slightly this month. Those leaving with no further care (Core reablement) increased from 56.0% to 62.6% and those leaving with reduced care fell from 10.9% to 4.9%. This presents a mixed picture compared to previous months. “No further care” levels continue to be improved on performance levels during 2019/20 (average 52.3%), and the 20/21 average of 56.0%, above target (54.0%).

Outcomes following Safeguarding - Following on-going improvements to the Safeguarding workflow on Liquid Logic we can report that the proportion of our clients for whom we have achieved their desired outcome at 67.9%, is below the 2019/20 average of 71.10% and the 20/21 average of 72.21%, and slightly better than the position of 66% reported for last month.

Adult Social Care and Population Health Financial Headlines (1 of 3)

The Adult Social Care budget totals £234,448m of which £229,592m is part of the Manchester Health and Care Commissioning (MHCC) Pooled Budget for 2020/21. This is an increase of £2.175m from last month and reflects £0.842m for central government allocation for rapid testing across care homes, and £1.333m for COVID workforce capacity funds.

The overall forecast position as at Period 9 is an overspend of £6.465m, this is made up of;

- COVID-19 pressures through increased costs - £9.850m;
- Partly offset by savings, mitigations and other changes of net £3.385m underspend.

The budget includes grant allocations of £3.342m for Infection Control Fund, £3.084m for Infection Control Round 2 and £4.837m for Track and Trace, and now £0.842m for rapid testing and £1.333m for COVID workforce capacity funds, provided by the government.

COVID related Pressures (£9.850m)

In line with the national picture across councils, the Adult Social Care (ASC) financial position for 2020/21 continues to carry significant financial risk arising from the impact of COVID-19. The pressures created across the care sector are challenging and the recent increases in confirmed cases will provide further challenges in the coming months. The assumptions in the reported position are significant and as such are likely to fluctuate as the year progresses.

The Council has received COVID-19 funding to support pressures across its services. The ASC projected costs eligible for funding total £9.850m with a further £8.409m set against Health COVID-19 funding. In addition, there is £6.426m for Infection Control spend and £4.837m for Test and Trace program, £0.842m for rapid testing and £1.333m for COVID Workforce capacity funds. These figures are reviewed regularly as more information and costs are finalized for each monthly return to Government.

Savings, mitigations and other changes (£3.385m)

The position at Period 9 is a reported forecast underspend of £3.385m, of which there is an underspend of £3.376m on the Pool and an underspend of £9k relates to services outside of the scope of the Pool.

The Directorate has identified £2.600m of non-recurrent savings which are included in the forecast. The non-recurrent savings relate primarily to realistic assumptions on the recruitment to vacant posts, a revised implementation for the social worker career pathway scheme, revised assumptions on the opening of the new extra care facilities and an expected uncommitted balance on the national living wage (NLW) and inflation budget.

Close scrutiny of each budget line is on-going and individual packages of care are being reviewed to ensure they are the most appropriate they can be to meet the needs of the clients.

Adult Social Care and Population Health Financial Headlines (2 of 3)

The savings, mitigations and other changes (£3.385m) are due to:

- MLCO Provider Services underspend of £136k due to underspends on day centres of £342k, reablement of £1.318m, specialist short team intervention £295k , short breaks of £286k, and other overspends totalling £8k. This is offset by an overspend on in-house supported accommodation of £1.833m (previously partially offset by £400k from reserves, now covered by overall Directorate underspend) and Equipment and Adaptions of £264k.
- MLCO Hospital Teams, Front Door and TEC - £145k underspend, predominantly due to the timing of recruitment.
- MLCO Integrated Neighbourhood Teams - £1.529m underspend due to underspends on homecare of £1.129m (including expected £0.716m costs to be recharged to Health), carers of £67k, and other care net underspends of £0.547m; offset by overspends on the Residential & Nursing budgets of £21k, and integrated neighbourhood teams of £193k.
- MLCO Complex services (Learning and Disability, Mental Health, Transition) £45k overspend due to overspend on cash personal budgets of £160k, mental health supported accommodation of £147k and Emergency Duty service of £45k; offset by underspends on Learning and Disability social worker staffing budgets totalling £94k, the learning disability care packages due to reduced costs and leavers of £128k, Mental Health Care packages of £54k and other minor underspends £31k.
- MLCO Population Health – £106k underspend due to delay in renegotiations on the sexual health contracts.
- MLCO Commissioning - £0.910m underspend due to a delay in the opening of the new extra care schemes and new sheltered housing schemes.
- MLCO Budget growth and back office - £439k due to slippage against the National Living Wage and inflation budget of £0.550m which will be utilised to support the Directorate overall position; slippage against winter pressures of £75k, £188k on staffing across business support, and other minor underspends totalling £1k, offset by a commitment to costs to support the Impower savings delivery partnership of £375k.
- MHCC - £155k underspend due to underspends on staffing
- MCC – £9k underspend relates in the main to the use of a revised timeline regarding the use of external best interest assessors and slippage against staff recruitment.

2021/22 Budget Strategy

- The 2021/22 budget strategy includes non-recurrent financial support from the Population Health forecast position (£1.5m) and the Residential Nursing position (£2.5m). On Population Health this reflects the focus of the service being on COVID-19resulting in the workforce being reassigned to specific related work programmes. New investments for 2020 have also not progressed on the timeline envisaged. On residential and nursing, the underspend arises because costs of discharges from hospital are being funded by health as per government funding arrangements. The forecast has been adjusted for these areas to enable funding to be earmarked for 2021/22 per the draft ASC budget strategy.

Adult Social Care and Population Health Financial Headlines (3 of 3)

Movement since last reported to Executive - £256k improvement
The movement arises from a reduction in the forecast COVID-19 costs of £33k to £9.850m, primarily following review of forecast costs in Integrated Neighbourhood Teams. In addition, the mitigating forecast budget underspend has increased by £223k, to £3.385m.

The main factors are an increase in overspends in Provider services of £0.559m and in Budget Growth and Back Office of £325k, due to a revised position regarding a draw down from council reserves, offset by underspends in Integrated Neighbourhood teams of £0.833m, which is primarily due to reduced client numbers; Complex Services of £102k due to reduced care costs, Commissioning of £104k, Hospital Teams, front door and TEC of £69k and other minor variations of £33k.

Homelessness – £6.383m overspend

Homelessness	Gross position including COVID impact					Memo: Breakdown of variance	
	Annual Budget	Net actual spend to date	Projected Outturn	Projected Variance from Budget	Movement from last reported to Exec	COVID related impact	Savings, mitigations and other changes
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Singles Accommodation	1,844	1,812	1,809	(35)	6	0	(35)
B&B's (Room only)	4,213	3,629	4,506	293	(105)	0	293
Families Specialist Accommodation	314	288	306	(8)	18	0	(8)
Accommodation Total	**6,371**	**5,729**	**6,621**	**250**	**(81)**	**0**	**250**
Floating Support Service/HMT	1,476	1,238	1,533	57	24	34	23
Dispersed & TAMF	2,166	2,301	4,149	1,983	100	1,546	437
Dispersed Accommodation Total	**3,642**	**3,539**	**5,682**	**2,040**	**124**	**1,580**	**460**
Homeless Management	685	526	711	1,026	1,051	0	1,026
Homeless Assessment & Caseworkers	2,320	1,698	2,062	(258)	78	0	(258)
Homelessness PRS & Move On	1,098	714	1,066	(32)	(4)	0	(32)
Rough Sleepers Outreach	403	529	408	5	26	0	5
Tenancy Compliance	207	135	186	(21)	22	0	(21)
Homelessness Support Total	**4,713**	**3,602**	**4,433**	**720**	**1,173**	**0**	**720**
Commissioned Services	1,510	1,278	1,510	0	0	0	0
Commissioned Services Total	**1,510**	**1,278**	**1,510**	**0**	**0**	**0**	**0**
Covid-19 Response Rough Sleepers	1,368	4,066	4,741	3,373	0	3,373	0
Covid-19 Response Total	**1,368**	**4,066**	**4,741**	**3,373**	**0**	**3,373**	**0**
Total	**17,604**	**18,214**	**22,987**	**6,383**	**1,216**	**4,953**	**1,430**

Homelessness: Period 9

Outputs and Cost-Drivers	Desired Performance	Period	Performance	Are we better than...?					
				Target		Last Period		Last Year	
Number placed in Bed and Breakfast Accommodation: Single person	Low	Dec-20	213	TBC		-10		46	
Number placed in Bed and Breakfast Accommodation: Families	Low	Dec-20	26	TBC		1		-79	
Number of dispersed accommodation placements: Single person	Low	Dec-20	210	TBC		0		54	
Number of dispersed accommodation placements: Families	Low	Dec-20	1,703	TBC		12		231	

Performance Analysis

Work is ongoing with Registered Providers (RP) to give backdates to homeless households. Offers are being made to encourage people to rightsize properties and make larger properties available. A bid has been successful from MHCLG for capital funding for 1 bedroom affordable flats, which there is a lack of in the city compared to demand. Work is ongoing to help people access the Private Rental Sector (PRS) in affordable locations, many of which are outside of Manchester, and schemes such as a landlords insurance are being used. A bid for £2m of short term funding from MHCLG has been successful. Incentives for PRS landlords are included.

The service is continuing to focus upon accommodating people who sleep rough to mitigate the public health risk, and ensure people do not return to the streets. A bid from MHCLG for 'protect' funding has been successful and will support the most entrenched. A bid for drug and alcohol support of circa £800k was also successful. A cold weather funding bid was also successful for supporting people when the temperature drops below zero. People who sleep rough have been in hotel accommodation due to cold weather since 24 Dec. This will continue during lockdown and to help with the COVID vaccination rollout. Remote working continues as it has proven to be successful. Positively, the number of families in B&B in Dec were 79 fewer than the same point last year. However, there were 46 more single people in such accommodation than there were at the same point last year. The number of families in dispersed accommodation in Dec was 231 greater than in Dec last year. This is to be expected with high numbers still presenting, but with a tougher housing market to move people into. The number of single people placed in such accommodation in Dec was 54 greater than Dec last year. Officers have been working hard throughout the pandemic to move more single people and families out of temporary and into permanent accommodation. Households presenting will continue to increase over the next few months as the economic outcome of the pandemic is fully realised. It is anticipated the number of people sleeping rough will also increase, although significant work and investment is ongoing to keep people from the streets.

The homeless service was returning to business as usual, but the recent lockdown has meant a return to full home working where possible. It is anticipated there will be a significant demand for services once the pandemic is over, and the service is preparing for a large increase in numbers. This is due to the continuation of welfare reform, the high level of rental income that the PRS demands, but most significantly, the number of people that will be economically affected by the outcome of COVID-19, through losing employment, being unable to pay their rent, the reduction in support services that would have otherwise helped them being reduced or stopped due to essential cuts in services. The freeze on evictions is enabling people to ignore their rental arrears, which will cause its own issues as we try to mediate between tenants and landlords, but comms work is progressing to encourage people to access debt advice.

Homelessness Financial Headlines (1 of 2)

The Homelessness budget for 2020/21 is £17.604m

The overall forecast position as at Period 9 is an overspend of £6.383m, this is made up of;

- COVID-19 pressures through increased costs and income shortfalls - £4.953m;
- Savings, mitigations and other changes of net £1.430m overspend.

The Period 9 position is an overspend of £6.383m. This is an increase of £1.000m from Period 8 and an increase of £1.216m from Period 7, this is a result of finessing the future provision of accommodation and support linked to ongoing provision for those supported as part of COVID-19 response; and a review of the bad debt provision.

COVID related Pressures (£6.621m expenditure linked to COVID-19 less £1.668m funding from MHCLG for costs incurred leaving a net £4.953m overspend):
COVID-19 response to Government's 'Everyone In', providing accommodation for 280 people sleeping rough in the City. Indicative annual cost of £5.075m, **£457k** staffing related expenditure (this does not reflect the cost of staff who have been redeployed, whose costs are covered by budgets linked to substantive roles), **£4.584m** accommodation, food and security to provide accommodation for those who would otherwise be sleeping rough linked to the Governments Everyone In and the exit strategy. In addition to the increased expenditure, there is a forecast lost income of **£34k** linked to Legal Services provided to Registered Providers. **Funding has now been allocated of £2.068m, of which £1.668m has been assigned to accommodation costs already committed with a further £100k to be utilised for additional cold weather provision and £300k for incentives to move people on into Private Rented Sector.**

Dispersed temporary accommodation placements have increased by 291 since March 2020 to 1,901 in December 2020. **£0.546m** of costs have been assigned as COVID-19 costs. Continued increase in numbers in dispersed has increased the expected Housing Benefit Subsidy loss by **£437k**. At budget setting 2020/21 £1.5m of reserves were allocated to cover the impact of increased demand, at this stage this has not been allocated. The Flexible Housing Support grant (£2.1m) is being fully applied to meet the cost.

Savings of **£1m** unachieved, have been reported to MHCLG as part of COVID-19 return, with delays in procurement as a result of Senior Management involvement in Covid-19 response. Work is ongoing with Legal and Procurement to revise timelines.

Savings, mitigations and other changes (£1.430m overspend):
Mainstream funded services, overspend of £1.430m linked to the continued increase in Dispersed Accommodation placements as well as Bed and Breakfast (B&B) numbers being higher than previous years, and review of bad debt provision on housing rental income resulting in an increase of £1.000m; these are partly offset by staffing underspends. At budget setting 2020/21 £1.5m of reserves were allocated to cover the impact of increased demand, at this stage this has not been allocated. The Flexible Housing Support grant (£2.1m) is being fully applied to meet the cost.

The position reported reflects the allocation of £0.979m investment due to increased need for Dispersed Accommodation, £1m of funding to enable a permanent staffing structure to be implemented and £373k of funding to offset the loss of GMCA income at the Longford Centre as per the Council's 2020/21 budget process.

Homelessness Overview of Period 9 (Continued)

Additional one off funding in 2020/21

- Rough Sleeper Initiative funding of £0.724m funds a number of different initiatives and services that work together as an RSI Partnership, with the objectives of preventing people from rough sleeping and finding accommodation for people already rough sleeping. This funding included the provision of Rapid Rehousing Pathway programme of £215k for 4 Navigators and 1 Team Leader. These are attached to the Council's Outreach Team and the Navigators will develop relationships and help people who sleep rough to access appropriate local services, get off the streets and into settled accommodation

- The new burdens funding off £461k is being utilised to provide capacity to reduce demand. Additional capacity is needed for:
  - Housing Solutions Officers to increase prevention work and reduce flow into the system
  - Private Rented Sector (PRS) team to develop a PRS offer for homeless people
  - Investment to reduce floating support caseloads to allow meaningful work in moving people on and ensuring people are appropriately safeguarded

- Funding of £1.6m has been awarded by GMCA to fund 142 beds spaces in Phase 3 of A Bed Every Night which has been extended to cover the period July 2020 to March 2021, indicative costs are £2.5m. Revenue and Benefits are currently reviewing the proposals at each of the properties to confirm the level of Housing Benefit which can be claimed, current conversations indicate that funding of £300k will be provided, therefore the shortfall in funding is approximately £0.600m which has been included in Covid-19 costs.

Movement since last reported to Executive - £1.216m increased pressure

Homelessness overspend has increased by £1.216m since the last report to Executive. This is following a review of the bad debt provision which has now been increased by £1m within Homeless Management to capture the impact of the Universal Credit roll out which resulted in a shortfall in housing costs met by benefits. A £100k increase in overspend on Dispersed and TAMF and other minor variations of £116k

Homelessness Period 9 Activity

Table 1. Presentations at Front Door	2016/17	2017/18	2018/19	2019/20	2020/21
Quarter 1	1,329	1,644	1,692	2,388	2,070
Quarter 2	1,400	1,626	2,174	2,525	2,541
Quarter 3	1,331	1,453	1,978	2,393	2,245
Quarter 4	1,619	1,545	2,303	2,534	
Total	**5,679**	**6,268**	**8,147**	**9,840**	**4,521**

Total number of B&B cases booked in and out in the month		Jan-20	Feb-20	Mar-20	Apr-20	May-20	June-20	Jul-20	Aug-20	Sept-20	Oct-20	Nov-20	Dec-20	Total
Families	Booked In	100	71	81	39	51	82	115	68	102	82	84	74	**949**
	Booked Out	84	91	102	97	69	63	92	89	99	94	92	53	**1,025**
	Change	**16**	**(20)**	**(21)**	**(58)**	**(18)**	**19**	**23**	**(21)**	**3**	**(14)**	**(8)**	**21**	**(76)**
Single Person	Booked In	104	101	133	118	126	169	166	165	160	135	127	125	**1,629**
	Booked Out	121	86	121	107	117	141	174	165	174	137	131	116	**1,590**
	Change	**(17)**	**15**	**12**	**11**	**9**	**28**	**(8)**	**0**	**(14)**	**(2)**	**(4)**	**9**	**39**

B&B average placements in month	Jan-20	Feb-20	Mar-20	Apr-20	May-20	June-20	Jul-20	Aug-20	Sept-20	Oct-20	Nov-20	Dec-20
Single person	169	176	179	191	211	231	233	228	227	219	223	213
Families	112	113	101	50	20	20	41	45	31	31	25	26
Total	**281**	**289**	**280**	**241**	**231**	**251**	**274**	**273**	**258**	**250**	**248**	**239**

Dispersed Accommodation placements at the end of the month	Jan-20	Feb-20	Mar-20	Apr-20	May-20	June-20	Jul-20	Aug-20	Sept-20	Oct-20	Nov-20	Dec-20
Families	1,489	1,498	1,505	1,573	1,614	1,611	1,618	1,629	1,641	1,626	1,691	1,703
Singles	159	157	158	161	174	184	188	191	194	220	210	210
Total	**1,648**	**1,655**	**1,663**	**1,734**	**1,788**	**1,795**	**1,808**	**1,820**	**1,835**	**1,846**	**1901**	**1,913**

Corporate Core – £4.418m overspend (1 of 2)

Corporate Core	Gross position including COVID impact					Memo variance of breakdown	
Chief Executives	Annual Budget	Net actual spend to date	Projected Outturn	Projected Variance from Budget	Movement from last reported to Exec	COVID related impact	Savings, mitigations and other changes
	£000	£000	£000	£000	£000	£000	£000
Coroners and Registrars	2,348	1,583	3,054	706	(38)	827	(121)
Elections	1,079	2,328	902	(177)	(77)	0	(177)
Legal Services	7,129	7,469	6,945	(184)	(178)	401	(585)
Communications	3,371	2,575	3,583	212	(23)	423	(211)
Executive	987	544	785	(202)	(102)	0	(202)
Legal, Comms, Democratic and Statutory Sub Total	**14,914**	**14,499**	**15,269**	**355**	**(418)**	**1,651**	**(1,296)**
Corporate Items	545	88	989	444	(26)	254	190
Chief Executives Total	**15,459**	**14,587**	**16,258**	**799**	**(444)**	**1,905**	**(1,106)**

Corporate Core - £4.418m overspend (2 of 2)

Corporate Core	Gross position including COVID impact					Memo variance of breakdown	
Corporate Services	Annual Budget	Net actual spend to date	Projected Outturn	Projected Variance from Budget	Movement from last reported to Exec	COVID related impact	Savings, mitigations and other changes
	£000	£000	£000	£000	£000	£000	£000
Policy, Performance and Reform total	15,692	11,371	15,746	54	736	0	54
Procurement & Commissioning	1,414	984	1,237	(177)	(10)	0	(177)
Revenue and Benefits	30,852	11,138	32,313	1,461	(32)	1,967	(506)
Discretionary Housing Payments and Welfare Provision	2,600	2,240	2,600	0	0	0	0
Financial Management	5,532	3,648	4,947	(585)	0	0	(585)
ICT	13,746	13,084	17,434	3,688	2,533	1,307	2,381
Human Resources/ Organisational Development (HR/OD).	4,119	3,446	3,953	(166)	0	53	(219)
Audit, Risk and Resilience	1,483	1,178	1,384	(99)	(22)	0	(99)
Shared Service Centre	1,132	1,120	797	(335)	0	0	(335)
Capital Programmes	(31)	961	388	419	(168)	737	(318)
CS Corporate Items (non business plan)	226	264	36	(190)	30	0	(190)
Customer Services	4,217	3,123	3,803	(414)	(15)	0	(414)
Commercial Governance	259	234	222	(37)	(14)	0	(37)
Decriminalised Parking Enforcement	(649)	5,666	(649)	0	0	0	0
Bus Lane	(334)	5,080	(334)	0	0	0	0
Corporate Services Total	**80,258**	**63,537**	**83,877**	**3,619**	**3,038**	**4,064**	**(445)**
Total Corporate Core	**95,717**	**141,661**	**100,135**	**4,418**	**2,594**	**5,969**	**(1,551)**

Corporate Core: Period 9

	Desired Performance	Period	Performance	Are we better than...? Target		Last Period		Last Year	
Availability of 11 critical ICT Services and Applications (year to date)	High	Dec-20	99.4%	98.5%		0%pts		0.1%pts	
Average Number of ICT Major Incidents in a month (year to date)	Low	Apr 20 - Dec 20	6.00	n/a		0.00		-0.88	
% of transactions delivered face to face (year to date)	Low	Apr 20 - Dec 20	0.0%	n/a		0%pts		-3.7%pts	
% of transactions delivered by telephone (year to date)	Low	Apr 20 - Dec 20	34.4%	n/a		0.6%pts		-14.4% pts	
% of transactions delivered online (year to date)	High	Apr 20 - Dec 20	65.6%	n/a		-0.6%pts		18.2%pts	
% of annual due Council Tax collected (year to date)	High	Apr 20 - Dec 20	72.1%	94%	n/a	8.1%pts	n/a	-1.5%pts	
% of annual due Business Rates collected (year to date)	High	Apr 20 - Dec 20	64.4%	97%	n/a	7.2%pts	n/a	-13.5%pts	
% invoices paid within 10 days (average monthly result YTD)	High	Apr 20 - Dec 20	63.2%	65%		-0.6%pts		4.2%pts	
% invoices paid within 30 days (average monthly result YTD)	High	Apr 20 - Dec 20	83.8%	90%		-0.7%pts		-5.6%pts	
% of pursuable miscellaneous debt over 1 year old (excluding C'tax and B'rates)	Low	Nov-20	10.0%	5%		-2.7%pts		1.5%pts	
BR Grants: Small Business Grant (monthly % figure of target allocation allocated)	High	16-Dec	95.81% (£64,780,000)	£67,610,000	n/a	0.01%	n/a	n/a	n/a
BR Grants: Retail, Hospitality & Leisure Grant (monthly % figure of target allocation allocated)	High	16-Dec	95.64% (£41,315,000)	£43,195,000	n/a	0.03%	n/a	n/a	n/a
BR Grants: Local Authority Discretionary Grant (monthly % figure of target allocation allocated)	High	16-Dec	99.73% (£5,417,500)	£5,432,000	n/a	0.00%	n/a	n/a	n/a
Local Restriction Support Grant	High	31 Jan	£24,616,134	n/a	n/a	n/a	n/a	n/a	n/a
Additional Restriction Grant	High	31 Jan	£1,021,445	n/a	n/a	n/a	n/a	n/a	n/a
Closed Business Lockdown Payment	High	31 Jan	£16,305,000						

Appendix 1, Item 5a

Corporate Core: Period 9

Performance Analysis

- The % of small business and retail, hospitality and leisure business support grants allocation was finalised on 30 September. Overall, £111.5m was allocated to 9,471 businesses - 95.94% of businesses identified as in scope.
- Following local and national restrictions further business support grant has been allocated through the Local Restriction Support Grant, Additional Restriction Grant and Closed Business Lockdown Payment schemes. To 31 Jan £41.9m of support has been allocated to businesses under these schemes.
- The proportion of transactions undertaken online and via phone were typically just over 48% each before the service responded to the impacts of the pandemic (with face-to-face transactions representing circa 3% of transactions). However, 85% of transactions in the financial year up to the end of June were online and 15% were via phone (due to the closure of non-critical contact centre phone lines from March as a result of the pandemic). The reopening of these non-critical phone lines (e.g. C'tax, b'rates, n'hoods, switchboard) from July has seen the financial year to date figures gradually move back towards pre-pandemic levels each month. Online transactions stood at 66% and phone transactions at 34% at the end of December (the same as November).
- The percentage of Council Tax due for 2020/21 which had been collected at the end of December (72.07%) was 2% points below that collected at the same point last year, and at nearly £156m, it was nearly £2.4m more than that collected at the same point last year, entirely due to the annual increase. COVID-19 and the lockdown has impacted on people's ability to pay.
- The percentage of business rates due for 2020/21 which had been collected at the end of Nov (64.41%) was 13.8% points lower than that collected at the same point last year and at over £153m, was nearly £142m less than that collected at the same point last year (£295m) with the Governments Expanded Retail Discount accounting for most of the reduction. This decrease was exacerbated by the need to suspend direct debit payments while grants and retail relief were administered. These restarted from 21 May 2020 with repayment plans reprofiled over ten or eleven months.
- At the end of December, the 'total amount of pursuable miscellaneous debt which was over a year old' (£3.58m), as a percentage of the 'total amount of all pursuable debt' (£52m) was 6.88%. This was a drop of over 3% from the end of November when the 'total amount of pursuable miscellaneous debt which was over a year old' (£3.60m), as a percentage of the 'total amount of all pursuable debt' (£36m) was 10%. The drop in the % result was mainly due to debt being raised during December 2020 which was not paid to the Council before the end of the month, rather than a reduction in the amount of pursuable miscellaneous debt which was over a year old.
- Formal recovery of such debt only resumed in late July 2020. The amount of collectable debt +1yr old is now just over £3.6m, almost £2.1m more than the figure from April 2018. Circa 57% of the increase since April 2018 is attributed to the ASC business area with the majority of this belonging to the NHS. The Council is prioritising chasing NHS invoices and other large ASC invoices to reduce the collectable debt figure and progress is being made in resolving outstanding disputes which are preventing payment. With the NHS currently prioritising paying COVID-19 related invoices it is more challenging to chase older invoices. The stalled start to the recovery is also a challenge.
- The percentage of invoices paid within 10 and 30 days remain slightly below targets.

Corporate Core Financial Headlines (1 of 3)

Corporate Core revenue budget totals £95.717m
The overall forecast position as at Period 9 is an overspend of £4.418m, this is made up of:

- COVID-19 pressures through increased costs and reduced income - £5.969m;
- Partly offset by savings, mitigations and other changes of net £1.551m underspend.

The Council Tax Hardship fund of £300k is to support Carers and Welfare Provision and the budget also includes self isolation grant of £379k.

The test and trace support payments are currently projecting to exceed the grant allocation and officers are considering requesting additional Funding from the Department of Health and Social Care.

The budget and position reflects £11.698m Additional Restriction Grant (ARG) allocated to the Council to support businesses across the city during the Very High local COVID alert level (Tier 3). An additional top up ARG allocation of £4.911m received in January following the third national lockdown announcement is also included in the budget.

It is forecast that all the other additional grants will be fully utilised in year.

The Core budget is net of £3.449m savings that were approved as part of the 2020/21 budget setting process

The Corporate Core is forecasting an overall overspend of £4.418m at Period 9 an increase of £2.594m since the last executive report. The overall overspend is made up of £5.969m COVID pressures through increased costs and lost income. This is offset by in year mitigations of net £1.551m underspend mainly due to employee savings following revised recruitment assumptions and running costs.

Corporate Core Financial Headlines (2 of 3)

COVID related Pressures (£5.969m)

These are due to:

- £2.061m increased expenditure largely relating to ICT costs of mobilising staff to work more flexibly and additional licensing costs, £498k relating to Coroners for cemetery and mortuary services and £12k in Legal Services for equipment and installation to allow semi virtual meetings to be held.
- £3.908m shortfall in income due to reduced capital programme fee income of £0.737m due to the slow down of capital schemes, reduced income in registrars of £329k, legal services of £370k, Communications of £323k, Revenue and Benefits reduced income £1.895m due to a number of council tax enforcement notices being waivered, lower than forecast take up of the annual leave purchase scheme of £254k.

Savings, mitigations and other changes (£1.551)

These are made up of Chief Executives £1.106m and Corporate Services of £445k and further detail is provided below.

The Chief Executives £1.106m underspend is due to the following:

- Elections underspend of £177k due to cancelled 2020/21 election;
- Legal £0.585m, Coroners and Registrars £121k, Communications £211k and Executive office underspend of £202k due to savings on employee budgets, running costs and civil ceremonies.
- Reduced by £190k in Corporate items for Manchester Central historic catering costs.

The Corporate Services forecast underspend of £445k is due to:

- Employee savings and running costs of £2.310m in Policy and Performance and Reform, Procurement, Financial Management, HR/OD, Audit, Shared Service Centre, Customer Services and Commercial Governance Team;
- Corporate items £250k underspend due to pensions savings from upfront funding of contributions (3 years).
- Capital Programmes £318k additional income
- Offset by £2.433m ICT related costs charged to revenue budget in year to avoid eroding the ICT capital fund.

Corporate Core Financial Headlines (3 of 3)

Movement since last reported to Executive - £2.594m increased pressure

This is made up of £444k improvement in Chief Executives, and a £3.038m increased pressure on Corporate Services. Further detail of these variances are set out below.

The Chief Executives position has improved by £444k, mostly due to Legal services £178k due to additional commercial income, Executive £102k on employees savings and running costs as there will be no civil ceremonies for the remainder of the financial year and Elections £77k due to 20/21 cancelled election. The remaining underspend of £86k is employee savings and running costs in Communications, Coroners and Registrars.

The corporate services increased pressure of £3.038m is made up of £2.433m ICT related costs charged to revenue budget in year to avoid eroding the ICT capital fund, £0.710m contribution to reform initiatives and £100k increased pressure in ICT for de-commissioning costs of the data centre; offset by £168k increased underspends in Capital Programmes due to acceleration of a major leisure programme and other smaller variances of £37k.

Neighbourhoods Directorate - £11.608m overspend

Neighbourhoods Directorate	Financial Outturn Summary Report 2020/21 including COVID impact					Memo breakdown of variance	
	Annual Budget £000	Net actual spend to date £000	Projected Outturn £000	Projected Variance from Budget £000	Movement from last reported to Exec £000	COVID related impact £000	Savings, mitigations and other changes £000
Neighbourhood Management and Directorate Support	1,160	524	1,160	0	(74)	0	0
Operations and Commissioning	51,520	45,149	56,408	4,888	328	6,024	(1,136)
Parks. Leisure, Events and Youth	7,964	7,812	12,147	4,183	(87)	4,575	(392)
Compliance and Community Safety	19,989	7,436	19,307	(682)	(264)	506	(1,188)
Libraries, Galleries and Culture	10,198	6,768	9,812	(386)	(191)	216	(602)
Neighbourhood Area Teams	2,700	1,741	2,532	(3)	73	0	(3)
Other Neighbourhood Services (including Covid pressures)	352	266	827	310	310	0	310
SUB TOTAL	**93,883**	**69,696**	**102,193**	**8,310**	**95**	**11,321**	**(3,011)**
Highways	14,741	5,557	18,039	3,298	2,838	3,903	(605)
SUMMARY TOTAL	**108,624**	**75,253**	**120,232**	**11,608**	**2,933**	**15,224**	**(3,616)**

Neighbourhoods: Period 9

Outputs and Cost-Drivers	Desired Performance	Period	Performance	Are we better than...? Target		Last Period		Last Year	
Neighbourhoods									
Total levy refuse tonnage (provisional)	Low	Dec-20	6,510	5,772		-267		543	
Total levy recycling tonnage (provisional)	High	Dec-20	5,582	4,200		n/a	n/a	1118	
Citywide recycling rate (provisional)	High	Q2 20/21	40.2%	n/a		n/a	n/a	-2.8%pts	
Total number of waste related requests for service resolved in the quarter	High	Q3 20/21	1,165	n/a		-423	n/a	-141	n/a
% of waste related requests for service resolved informally (remainder were formal resolutions)	n/a	Q3 20/21	87%	n/a		1.7%pts	n/a	12.5%pts	n/a
Flytipping reports completed by BIFFA (12 month rolling)*	Low	Jan 20- Dec 20	26,244	n/a		409		4680	
Number of burials (in the month)	n/a	Dec-20	187	Projection: 122	n/a	30	n/a	82	n/a
Number of cremations (in the month)	n/a	Dec-20	123	Projection: 89	n/a	18	n/a	35	n/a
Connected City									
Road network beyond mid-life grading (A, B, C, U roads - excluding footways)	Low	2020	17.7%	23.0%		n/a		-2.3%pts	

* This data includes some reports for compliance and side waste, please note further analysis of this data is undertaken prior to the submission to WasteDataFlow.

Performance Analysis

In December, more refuse was collected than forecast (target 5,772) due to residents spending more time at home due to tier 3 and 4 restrictions. The amount of refuse collected above the forecast decreased in December (738 tonnages above the target) compared to November (1,220 tonnages above the target). Recycling tonnages are 1,382 tonnes above the target for December. In December 2020, more commingled, pulpable and organic recycling was collected than the target.

In addition to waste related requests for service, the Neighbourhood Compliance Teams proactively investigated 465 flytipping, commercial and domestic waste incidents (13% decrease from last period). The Neighbourhood Project Team also proactively investigated 808 jobs and served 815 notices in relation to flytipping during this period. This is a 17% and 0.4% decrease respectively.

In the 12 months to December 2020, reports of fly tipping dealt with by Biffa were 22% higher than the previous year. After an initial decline in requests at the start of the year fly tipping has been consistently higher in 2020. As COVID restrictions relaxed after the first lockdown reports continued to increase, peaking in August 2020 at 2,800 requests for service completed by Biffa. This was 65% (+1,102) higher than the same month last year. From this point requests have been declining and returning to similar levels seen in 2019. However, reports in the month of December remain 26% higher than the same month in 2019.

Neighbourhoods Directorate Finance Headlines (1 of 3)

Neighbourhoods Directorate revenue budget totals £108.624m
The overall forecast position as at Period 9 is an overspend of £11.608m, this is made up of:

- COVID-19 pressures through increased costs and reduced income - £15.224m;
- Offset by identified in year mitigations of net - £3.616m underspend.

COVID related Pressures (£15.224m)
This is made up of a combination of increased expenditure £4.731m and forecast reductions in income of £10.493m. Further details are provided below:

£4.731m increased COVID-19 costs are made up as follows:

- Leisure services £3.322m support to leisure operator to fund the ongoing costs of maintaining City Council assets during closure.
- £86k in Parks and £35k in Events for additional signage, markings and cabin costs.
- Highways Services - £0.640m increased costs of introducing social distancing measures.
- £13k sanitisers and shields within Libraries.
- £494k within Waste Services for additional collection costs and the increased cost of bins.
- £138k additional security, staffing and equipment costs within Bereavement Services.
- £3k minor costs within Fleet Services.

£10.493m reduced income is made up as follows:

- Reduced income of £5.389m in Operations and Commissioning Services, due to the £1.761m loss on the Christmas Offer income including Christmas Markets, £2.869m reduced income for Wholesale, Retail, City Centre and Commercial Markets as a result of required closure, £0.744m reduced income in Other Business Units (Catering £0.692m, Pest Control £52k) and £15k in Fleet Services.
- Libraries & Galleries £203k due to reduced sales income and funding contribution because of closure and reduced footfall.
- Leisure, Parks and Events - £1.132m due to reduced income because of closure, this includes £0.514m because of the cancelled Parklife concert and loss of car parking income and also £0.572m Leisure mostly due to loss of Swimming Income and £46k in Events.
- Highways reduced income from car parking £2.982m and sales of fees and permits £281k.
- £0.506m reduced income from penalty notices and licences in Community Safety and Enforcement.

The above figures assume use of GMCA reserves to mitigate the overspend on the Waste Levy due to increased tonnages as a result of COVID-19.

Neighbourhoods Directorate Finance Headlines (2 of 3)

Savings, mitigations and other changes (£3.616m)
The Directorate has identified in year savings of £4.091m that have been offset against the COVID-19 cost pressures as part of undertaking this work it has been assumed that most vacant posts will not be filled through external recruitment before April 2021 at the earliest. The breakdown of the identified in year savings are provided below.

Operations and Commissioning £1.136m underspend due to;

- The underspend relates to the decision to request drawdown of the catering reserves to mitigate the projected lost income for Manchester Fayre £0.605m together with staffing savings due to revised recruitment profiles and ad hoc savings on running costs across the Markets estate offset by the change in the funding of essential building and maintenance work at New Smithfield Market resulting in an adverse variance of £103k on Markets. Fleet Services have increased net fleet hire income of £49k, Bereavement Services are forecasting a net increase in income of £488k, Pest Control have savings of £52k mainly on staffing and a £45k employee saving within Grounds Maintenance.

- Compliance and Community Safety £1.188m savings due to;
- Mostly relates to employee savings due to revised recruitment assumptions with some vacant posts now anticipated to be filled in the new financial year.

Libraries, Galleries and Culture £0.602m saving mostly due to;

- £494k Saving on employee costs in Libraries;
- £8k saving on running costs in Libraries and £100k Saving on the Libraries book fund.

Parks, Leisure, Youth and Events £392k savings due to;

- £392k employee savings due to revised recruitment assumptions and savings on running costs due to postponement of Events.

Neighbourhood Teams £3k savings due to;

- £168k Staff savings offset by
- £165k costs associated with Walmer Street sink hole and demolition. The Council will seek to recover these costs from insurance providers, but this is likely to be timely and uncertain.

Other Neighbourhoods Services £310k overspend due to:

- Increased bad debt provision to allow for increased risks around long term outstanding retail debts

Highways - £0.605m savings due to;

- Higher than forecast income from highways capital works that have been undertaken during the lockdown period, savings on employee costs, accident and trip claims.

Neighbourhoods Directorate Finance Headlines (3 of 3)

Movement since last reported to Executive - £2.933m increased pressure

The movement is mainly due to increased pressure in Highways of £2.838m due to reduced income from car parking. The joint venture ended on 31 December and the car parks transferred back to Manchester City Council. The overspend has increased since the last reporting period due to reduced income from these car parks as a result of the current lockdown. There is also an increase in overspend on Operations and Commissioning of £328k which is caused by increased Waste Collection costs , further lost income within Markets, £165k relating to Walmer St sink hole and building demolition, and £310k increased bad debt requirement to allow for increased risks around long term outstanding retail debts. These are offset by planned recruitment savings in Compliance and Community Safety of £264k and Libraries, Galleries and Culture £191k, Parks £35k, Neighbourhood area teams of £92k and Neighbourhood Management and Directorate Support of £74k, increased income and reduced expenditure within Parks and Events of £52k.

Growth and Development - £2.965m overspend

Growth and Development	Gross position including COVID impact					Memo: Breakdown of variance	
	Annual Budget	Net actual spend to date	Projected Outturn	Projected Variance from Budget	Movement from last reported to Exec	COVID related impact	Savings, mitigations and other changes
	£000	£000	£000	£000		£000	£000
Operational Property	8,273	6,260	8,220	(53)	(120)	6	(59)
Facilities Management	9,687	5,836	9,792	105	108	197	(92)
Property Rationalisation	0	1,122	0	0	0	0	0
Investment Estate	(11,887)	(10,935)	(9,800)	2,087	608	2,146	(62)
Manchester Creative Digital Assets Ltd (MCDA)	0	279	0	0	0	870	(870)
Growth & Development	164	(109)	111	(53)	0	0	(53)
City Centre Regeneration	914	735	916	2	(73)	1	1
Housing & Residential Growth	1,445	888	1,041	(404)	0	0	(404)
Planning, Building Control & Licensing	(588)	(805)	151	739	14	1,504	(765)
Work & Skills	2,039	1,138	1,882	(157)	0	0	(157)
The Community Hub	1,443	1,411	2,125	682	(1,379)	783	(101)
Manchester Adult Education Services (MAES)	0	1,073	17	17	0	17	0
Our Town Hall Project	0	1,375	0	0	0	0	0
Total Growth & Development	**11,490**	**8,268**	**14,455**	**2,965**	**(842)**	**5,527**	**(2,562)**

Growth and Development : Period 9

Outputs and Cost-Drivers	Desired Performance	Period	Performance	Are we better than...? Target		Last Period		Last Year	
Number of Planning Applications with fees of £10k - £50k	High	Dec-20	4	n/a		0		1	
Number of Planning Applications with fees of £50k +	High	Dec-20	1	n/a		0		-1	
Planning Fee Income	High	Dec-20	£340,046	£210,555		-£67,716		-£48,750	
Net annual Business Rate charges payable (quarterly snapshot)	High	01-Jan-20	£232.99m	n/a		-£7.53m		-£135.23m	
No. of properties for which business rates are payable (quarterly snapshot)	High	01-Jan-20	27,029	n/a		-34		14	
No. of new homes built (excluding small developments)	High	Q2 20/21	4,009	n/a		n/a		1082	
% of properties empty long-term	Low	2019/20	0.53%	n/a		n/a		0.01%points	

Performance Analysis

'Planning Fee income in December was £340k, an increase of £67k from the previous month and far exceeding the expected target of £210.5k. Given the unprecedented economic climate, the expectation is that planning fee income will fluctuate and may fall short of expectations this year, however continued receipt of some larger applications means the target income is being achieved.

The amount of Business Rate charges payable dropped in December by £7.5m, and overall was £135m below the charge for the previous year due to the ongoing rates relief.

Construction of new homes is continuing in spite of the pandemic and 4,009 homes are expected to complete by the end of 2020/21, including over 400 affordable homes.

Growth and Development Financial Headlines (1 of 2)

Growth and Development revenue budget totals £11.490m
The overall forecast position as at Period 9 is an overspend of £2.965m, this is made up of:

- COVID-19 pressures through increased costs and reduced income of £5.527m;
- Offset by identified in year savings and mitigations of £2.562m.

The net £11.490m budget includes Government grant allocations for Reopening High Streets Safely Fund of £489k, Local Welfare Assistance Fund of £0.957m and COVID Support for clinically extremely vulnerable individuals of £0.552m and reflects the pay award.

The overall Directorate position is due to the following:

Overspends of £3.632m in:

- Facilities Management - £105k, additional costs of the Target Operating Model (Security), offset by savings on staffing costs and other efficiencies.
- Investment Estate - £2.087m, mainly as a result of anticipated Covid-19 income pressures and increased bad debt provision to allow for increased risks around longterm outstanding retail debts. These are offset by staffing savings,and forecast additional income from Manchester International Airport and the Development Sites.
- City Centre Regeneration - £2k, due to higher than budgeted salary costs, offset by the cost of the Planning and Infrastructure team that have transferred across since the P8 report.
- Planning, Building Control & Licensing - £0.739m due to a net income reduction of £256k in Building Control, £66k in Landcharges, £417k shortfall in licensing, and £363k from taxi MOT/testing. These are offset by £363k of mainly staffing savings in planning.
- Community Hub - £0.682m – ongoing provision of food support to the most vulnerable residents.; and
- Manchester Adults Education Service (MAES) - £17k of COVID-19 related expenditure.

Growth and Development Financial Headlines (2 of 2)

Offset by underspends of £0.667m:

- Growth and Development - £53k underspends on staff costs due to vacancies;
- Housing and Residential Growth - £404k due to staff vacancies, reduced general running costs and increased rental income on the Ben Street scheme; and
- Work and Skills - £157k due to staffing savings of £57k and reduced project costs of £100k.
- Operational Property - £53k mainly due to staffing savings and utility costs at the Town Hall Complex,

Movement since last reported to Executive - £0.842m improvement

The position has improved since the last report to Executive, predominantly due to a £1.379m improvement in The Community Hub. There are other improvements include operational property of £120k and City Centre Regeneration of £73k; offset by £0.608m on Investment Estate due to increased bad debt provision to allow for increased risks around long term outstanding retail debts, pressures in Facilities Management of £108k and Planning, Building Control and Licensing of £14k.

Housing Revenue Account

	Annual Budget	Net Actual Spend	Projected Outturn	Projected Variance from Budget	Movement from last reported to Exec
	£000	£000	£000	£000	£000
Housing Rents	(60,881)	(30,557)	(61,027)	(146)	0
Heating Income	(600)	(341)	(623)	(23)	0
PFI Credit	(23,374)	(11,687)	(23,374)	0	0
Other Income	(1,281)	(780)	(984)	297	(65)
Funding from General/MRR Reserves	(18,632)	0	(18,632)	0	0
Total Income	**(104,768)**	**(43,365)**	**(104,640)**	**128**	**(65)**
Northwards R&M & Management Fee	20,694	15,564	21,097	403	0
PFI Contractor Payments	36,296	21,237	34,084	(2,212)	(1,547)
Communal Heating	584	273	607	23	0
Supervision and Management	5,213	2,914	5,391	178	(42)
Contribution to Bad Debts	613	(51)	547	(66)	(307)
Depreciation	17,378	0	17,378	0	0
Other Expenditure	1,370	485	1,393	23	0
RCCO	19,841	0	(2,416)	(22,257)	(518)
Interest Payable and similar charges	2,779	0	2,779	0	
Total Expenditure	**104,768**	**40,422**	**80,860**	**(23,908)**	**(2,414)**
Total HRA	**0**	**(2,943)**	**(23,780)**	**(23,780)**	**(2,479)**

Movement in General/MRR Reserves	Opening Balance	Budgeted Adjustment	Forecast Closing Balance	Additional Adjustment	Revised Forecast Closing Balance
	76,012	(18,632)	57,380	23,780	81,160

Housing Revenue Account Financial Headlines

The Housing Revenue Account (HRA) is forecasting lower than forecast expenditure of £23.780m at Period 9. This is due to:

Underspends of £24.704m:

- Reduced contribution towards capital expenditure of £22.257m, this is due to reduced capital expenditure, partially due to the impact of COVID and a combination of increased time to undertake works because of changes to working practices, and reduced works because of reduced accessibility to tenants' properties.
- Reduced PFI Payments £2.212m:
  - £0.595m decrease on Brunswick PFI mainly due to the delays in forecast completion date for the extra care scheme – currently forecast March 2021.
  - £123k saving due to rate of inflation being lower than forecast.
  - £68k increased in Communal Heating costs due to higher charge whilst a new contract is agreed.
  - £1.562m decrease due to spend being incurred on sprinkler installations in Miles Platting or Brunswick during 2020/21. This has been pushed back into 2021/22.
- Additional Rental income of £146k. It is forecast that £255k extra rent will be received due to reduced number of Right To Buy sales, offset by a loss of £109k due to the delay in the Brunswick Extra Care Scheme
- £66k reduction in Bad Debt Provision due to an adjustment to Leaseholder relating to 2019/20.
- Additional income of £23k on Communal Heating schemes due to the reduction in 2/4 blocks on the scheme being slower than originally planned. This is offset by a corresponding increase in gas costs.

Offset by overspends of £0.924m:

- Northwards Management Fee - £403k higher than forecast largely due to increased costs of the agreed pay awards, additional costs in respect of supplier relief payments due to support provided during COVID and costs of support to tenants as part of the planned demolition of Riverdale Estate.
- Other income £297k lower than forecast due to overpayments of VAT Shelter monies made by One Manchester in previous years and a refund due to S4B following an agreed recalculation of Service Charge collection 2019/20.
- Supervision and Management - increase £178k. This is due to higher than forecast salary costs and estimated costs of £200k relating to work associated with the ALMO review, offset by a reduction in the requirement for valuations, plans and EPCs regarding Right to Buys.
- An increase of £23k in Communal Heating gas costs due to the reduction in 2/4 blocks on the scheme being slower than originally planned. This is offset by a corresponding reduction in income (above).
- An increase of £23k relating to other expenditure as below:
  - An increase of £100k for a Paint & Repair scheme in West Gorton.
  - A reduction of £45k due to the end of the agreement to pay Eastlands Environmental Insurance.
  - A reduction in Tenant's Management Organisation fees of £32k.

Any surplus/deficit in year has to be transferred to/from the HRA reserve. At Period 9 it is forecast that £5.148m will be transferred to reserves at year end (budget of £18.632m less underspend of £23.780m). This would leave a balance of £81.160m in the HRA General Reserve at year end.

Manchester City Council
Report for Resolution

Report to: Executive – 17 February 2021
Resources and Governance Scrutiny Committee – 1 March 2021
Council – 5 March 2021

Subject: Capital Programme Monitoring 2020/21 – December 2020

Report of: The Deputy Chief Executive and City Treasurer

Summary

This report informs members of:

(a) Progress against the delivery of the 2020/21 capital programme to the end of December 2020.

(b) The revised capital budget 2020/21 taking account of changes between the approved capital budget and any further changes occurring in year.

(c) The latest forecast of capital expenditure and the major variances since the Capital Budget Review and Programme monitoring 2020/21 report submitted in October 2020.

(d) The impact any variations may have on the Capital Programme for the period 2020/21 to 2024/25.

Recommendations

The Resources and Governance Scrutiny Committee is asked to note the contents of the report.

The Executive is requested to:

1. To recommend that the Council approve the virements over £0.5m within the capital programme as outlined 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 capital programme, will result in a revised budget total of £372.0m to and a latest full year forecast of £372.1m. Expenditure to the end of December 2020 is £249.1m.

4. Note the prudential indicators at Appendix B.

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 2020/21 for Manchester City Council is £372.1m compared to the proposed revised budget of £372.0m after the changes proposed in this report, which is shown in the table at paragraph 17.1. Spend as at 31st December 2020 was £249.1m. 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.

Contact Officers:

Name: Carol Culley
Position: Deputy Chief Executive and City Treasurer
Telephone: 0161 234 3406
E-mail: carol.culley@manchester.gov.uk

Name: Helen Seechurn
Position: Interim Deputy City Treasurer
Telephone: 07814 087850
E-mail: helen.seechurn@manchester.gov.uk

Name: Tim Seagrave
Position: Group Finance Lead – Capital & Treasury Management
Telephone: 0161 234 3445
E-mail: tim.seagrave@manchester.gov.uk

Name: Kate Stonehouse
Position: Principal Finance Manager – Capital
Telephone: 0161 245 7853
E-mail: kate.stonehouse@manchester.gov.uk

Background documents (available for public inspection):

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

- Report to the Executive 12th February 2020 – Capital Strategy and Budget 2019/20 to 2024/25
- Report to the Executive 11th March 2020 – Capital Programme – Capital Programme Update
- Report to Council 25th March 2020 - Constitutional Amendments and Other Matters for Council Business Continuity
- Report to the Executive 3rd June 2020 - Capital Programme Outturn 2020/21
- Report to the Executive 3rd June 2020 - Capital Programme - Capital Programme Update
- Report to the Executive 3rd July 2020 - Capital Programme - Capital Programme Update
- Report to the Executive 29th July 2020 - Capital Budget Review and Programme Monitoring 2020/21

- Report to the Executive 29th July 2020 - Capital Programme - Capital Programme Update
- Report to the Executive 9th September 2020 - Capital Programme - Capital Programme Update
- Report to the Executive 14th October 2020- Capital Programme – Capital Programme Monitoring 2020/21 - Period 5
- Report to the Executive 14th October 2020 – Capital Programme – Capital Programme Update
- Report to the Executive 11th November 2020 – Capital Programme – Capital Programme Update
- Report to the Executive 20th January 2021 – Capital Programme – Capital Programme Update
- Report to the Executive 17th February 2021 – 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 five months to the end of December 2020.
- Inform members of the latest estimates of capital expenditure for 2020/21 and to show forward commitments into the 2021/22 to 2024/25 capital programme.
- Confirm that there are adequate levels of resources available to finance the capital programme.

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

1.3 Appendix A details the virements requested across the programme since the Executive approved the revised capital budget in October 2020. The full revised capital budget for each project, taking into account the virements requested, the new budgets introduced, and any re-profiling between years can be found in the Capital Strategy elsewhere on the agenda. Appendix B notes the prudential indicators.

2 Contributing to a Zero-Carbon City

2.1 To reflect the climate change emergency that the Council has declared, the capital expenditure business cases are now required 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 Executive approved the revised Capital Budget for the period 2020/21 to 2024/25 in October 2020. Since then, subsequent capital budget increase reports were submitted to the Executive. The revised capital budget, before changes proposed in this report, is shown below:

Capital Programme 2020-2024	**2020/21 £m**	**2021/22 £m**	**2022/23 £m**	**2023/24 £m**	**2024/25 £m**	**Total £m**
Capital Budget (July 20)	485.2	373.7	259.5	110.2	0.0	1,229.2
Capital Programme Monitoring	-49.5	11.3	47.6	0.9	34.1	77.1
Capital Programme Update (Approved Oct 20)	2.9	6.2	6.6	0.0	0.0	15.6
Capital Programme Update (Approved Nov 20)	5.3	1.6	0.0	0.0	0.0	6.9

Capital Programme 2020-2024	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	Total £m
Capital Programme Update (Approved Jan 21)	2.8	9.4	12.6	8.6	0.0	33.3
Revised Capital Budget	**446.7**	**402.2**	**326.3**	**119.7**	**34.1**	**1,329.0**

3.2 The figures shown above also include those approved by the Executive Member for Finance and Human Resources and the Deputy Chief Executive and City Treasurer under delegated powers.

4 COVID-19 impact on the Capital Programme and response

4.1 The COVID-19 pandemic has, and will continue to have, a wide-reaching impact on the Council's capital programme. The early impact has been highlighted in previous reports to the Executive, with an initial pause across construction activity and work resuming on major sites relatively quickly.

4.2 The required social distancing measures reduces productivity and increases cost as the work programmes take longer to complete and is likely to continue for the foreseeable future. The inflationary impact of COVID-19 will be absorbed through existing project contingencies where possible and further approvals sought if this proves insufficient.

5 Capital Programme Forecast 2020/21

5.1 The latest forecast of expenditure for the Manchester City Council Capital Programme in 2020/21 is £372.1m compared to a current revised budget of £446.7m. The variations are shown in the table below.

5.2 The tables in this report show the budget approved by the Executive in February 2020, alongside the current revised budget and the latest forecast. The intention is that there is clear transparency in how budgets have changed.

Capital Programme 2020/21 budget, forecast and spend to date at 31st December 2020

Manchester City Council Programme	Budget set in Feb 20 £m	Revised Budget £m	Forecast £m	Variance £m	Spend to Date £m	Spend to Date as % of Forecast
Highways	58.8	59.2	53.3	-5.9	28.9	54.2%
Neighbourhoods	16.7	16.1	10.4	-5.7	2.7	26.0%
Growth and Development	119.0	93.9	87.5	-6.4	50.7	58.0%
Town Hall Refurbishment	49.1	39.2	34.6	-4.6	18.8	54.3%
Housing – General Fund	22.6	17.1	13.8	-3.3	8.6	62.3%
Housing – Housing Revenue Account	38.8	17.8	16.1	-1.7	11.5	71.4%

Manchester City Council Programme	Budget set in Feb 20 £m	Revised Budget £m	Forecast £m	Variance £m	Spend to Date £m	Spend to Date as % of Forecast
Children's Services	29.5	44.4	37.2	-7.2	12.8	34.4%
ICT	5.7	3.3	3.8	0.5	1.6	42.1%
Corporate Services	38.2	155.7	115.4	-40.3	113.5	98.4%
Total	**378.4**	**446.7**	**372.1**	**-74.6**	**249.1**	**67.0%**
Reprofiling				-71.4		
Cost Variations				-3.3		
Net over (under) spend				0.1		

5.3 The revised budget shown above reflects the re-profiling noted in the Budget Review and Programme monitoring 2020/21 report to the Executive in October and any new projects added to the programme. The profile of spend for projects from 2020/21 onward continues to be reviewed to reflect the known and expected impact of COVID-19 which informs the forecasts shown above.

6 Summary of Main Changes to the Revised Budget

6.1 The main changes to the programme since the report to Executive in October 2020 are as follows:

- Highways - There is a requirement to reprofile £3.3m into next financial year across all schemes funded through the Mayor's Challenge Fund, due to delays associated with COVID-19, and consultations and engagement taking longer than originally anticipated.
- Neighbourhoods - The vehicle delivery plan for the Purchase of electric refuse collection vehicles project has been extended due to COVID-19, meaning several the Electric refuse collection vehicles will now be delivered in April 2021, and so a total of £4.1m will be reprofiled into next financial year.
- The Factory - A total of £1.7m will be reprofiled into next financial year for The Factory due to reprofiling of contingency in year and various work package costs now being paid later than previously forecast.
- Growth and Development - The target date for the Northern Gateway Housing Infrastructure Fund (HIF) scheme entering into the Grant Determination Agreement (GDA) with Homes England has been affected by COVID-19, and as a result £2.0m will be reprofiled into 2021/22.
- Our Town Hall - There is a requirement to move £4.5m into future years due to the reprofiling of the contingency budget in line with construction values and risk management procedures.
- Private Sector Housing - COVID-19 has caused some delay with the progress of the Next Steps Accommodation Property acquisitions project and assigning a contractor to develop the properties to a liveable standard, and as a result a total of £2.7m will be reprofiled into next year.
- Public Sector Housing - The Silk Street programme has been slowed down to ensure member views around design and social value are reflected, and so a total of £0.9m will be moved into next financial year.

- Children's –The acquisition of the Hyde Road site has completed at £3.1m less than was originally budgeted for. This will be removed from the Capital programme.
- Corporate Services - The Gorton Health hub project forecast has been further updated in light of COVID-19 and the review of the scope with partners. As a result, a total of £4.0m will be reprofiled into future years.
- Manchester Airport Group – No further payments are expected to be made this financial year as part of the shareholder support approved for Manchester Airport Group, and so a total of £36.2m will be reprofiled into next financial year.

6.2 The position will be closely monitored with the final outturn position being highly dependent on schemes commencing and continuing on schedule and delivering to plan. Major variances, by service area are explained below.

General Programme Risks

6.3 As can be seen in the remainder of the report, COVID-19 continues to have a significant impact on the delivery of the 2020/21 Capital Programme and a number of schemes have had to be deferred or have been delayed. The report summarises the position based on the best understanding at this point in time and the forecasts are therefore subject to change.

6.4 The Capital Budget is prepared on the best estimate of the spend profile for each scheme across its life and as the scheme develops this may change. This report is intended to highlight the total life and cost of schemes, and the risks associated with their development. All projects carry risk such as delivery risk, third party risk and market risk, including build cost and inflation. Some of the current risks are outlined below.

6.5 General inflation in the North West (NW) construction market did flatten for the remaining calendar year 2020, with the Q4 outturn figure suggesting inflation saw a negative result of –0.3%. Whilst it was predicted 2021 inflation would be expected to recover it was predicated on the wider economic recovery, with the impacts of the pandemic and further lockdowns affecting this recovery to a larger degree than first thought. Forecasting inflation indices for the general North West region remains difficult given the ongoing COVID-19 situation and the effects of this on the construction industry both nationally and in the NW.

6.6 Current analysis by the Office for Budget Responsibility (OBR) reported that GDP declined by 21.8% as a result of the COVID-19 recession. With the transition from the European Union (EU) from the 1st January 2021 having no direct charges on construction or construction products there are however administrative burdens that may add costs to the UK construction industry with changes to the way British businesses import materials, hire people, and procure from the EU. In addition, with the Covid-19 vaccination programme in its infancy, the lasting impact on GDP, construction output and tender inflation is uncertain. In general, the NW regional activity is expected to cool off as companies try to protect their long-term order books, although over the next few years the level of activity in Manchester is expected to perform better than other regions. Future prices will be very much dependent on how deep the effects off the recession are and how long the economic recovery takes.

6.7 Current inflation estimates for 2021 are between 0.5% to 3.5% for the NW. This will vary for each project. The Council's capital strategy includes provision for inflation to be allocated when appropriate.

6.8 The programme contains some budgets yet to be allocated to specific projects but reserved for a particular purpose, such as Education Basic Need funding, the Highways Investment Fund and the ICT Fund. Once the projects underpinning the planned programmes in these areas are developed, they are approved through the Council's capital approval process and the budgets allocated and the Capital Budget updated accordingly.

6.9 Where specific risks have been identified they are detailed in the relevant section below.

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 vehicle 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 2020 and before the proposals noted in this report are as follows:

- Throughout the year, a number of Highways projects have been approved by the Executive or the Deputy Chief Executive and City Treasurer under delegated powers, to be funded through the Mayor's Challenge Fund (MCF). The total budget for MCF schemes in 2020/21 is £10.2m.

7.3 The Highways capital programme is forecasting to spend £53.3m compared to a revised budget of £59.2m, a variance of £5.9m. The programme is shown in the table below:

Highways	20/21 Budget set in Feb 20 £m	20/21 Revised Budget £m	20/21 Forecast £m	20/21 Variance £m	All Years Budget £m	All Years Forecast £m	All Years Variance £m
Highways Planned Maintenance Programme	27.9	25.1	24.7	-0.4	123.2	123.2	0.0
Great Ancoats Improvement Scheme	6.0	5.9	4.7	-1.2	9.3	8.3	-1.0
Mayor's Challenge Fund Schemes	1.2	10.2	6.9	-3.3	31.0	31.0	0.0
Mancunian Way and Princess Parkway National Productivity	4.1	4.9	5.2	0.3	8.8	9.1	0.3

Highways	20/21 Budget set in Feb 20 £m	20/21 Revised Budget £m	20/21 Forecast £m	20/21 Variance £m	All Years Budget £m	All Years Forecast £m	All Years Variance £m
Investment Fund (NPIF)							
Other Projects	19.6	13.1	11.8	-1.3	126.8	128.7	-1.1
Total Highways	**58.8**	**59.2**	**53.3**	**-5.9**	**299.1**	**297.3**	**-1.8**
Reprofiling				**-6.2**			
Cost Variations				**0.0**			
Net over (under) spend				**0.3**			

Activities

7.4 The Highways Service continues to prioritise permanent walking and cycling infrastructure to support increased sustainable travel within the City. As part of the Mayor's Challenge Fund programme of works, Area 1A of the Chorlton Cycleway is now fully operational including the UK's first CYCLOPS junction, which won a national safety award, prioritising pedestrians and cyclists over other forms of transport. Chorlton Area 1B is now onsite and Area 2 has been procured along with early works in other areas including Beswick Filtered Neighbourhood, Fallowfield Loop, Rochdale canal, Levenshulme Walking and Cycling scheme, Manchester Cycleway, Northern Gateway and Northern Quarter Walking and Cycling scheme.

7.5 The Council has been awarded £5.5m Active Travel Funding with longer term designs progressing for both the City Centre Triangle and Wythenshawe Cycleway projects which will create further permanent walking and cycling infrastructure in the City.

7.6 Medlock Street was commissioned and fully opened to traffic in November 2020. The Manchester Salford Inner Relief Road, Mancunian Way and Princess Parkway NPIF, Stockport Road (A6), Hyde Road Pinch Point Widening and Great Ancoats Street major projects have all been substantially completed. These schemes have all supported a reduction in journey times and congestion on key route networks at key junctions across Manchester.

7.7 The Street Lighting PFI project is practically complete, with 53,981 traditional streetlights replaced with LED units which has saved 10,480 tonnes of Carbon.

7.8 The School Crossing Programme has now delivered safety improvements across 73 sites in the City with the remaining 5 sites expected to be complete by the end of 2021/22.

Variances – All Years

7.9 As previously reported, the unspent £1.0m contingency on the Great Ancoats Improvement Scheme will be used to cover the overspend in previous years and the £0.4m overspend in this year on the Manchester/Salford Inner Relief Road (MSIRR) scheme as per the agreement between the Council and Transport for

Greater Manchester (TfGM).

7.10 There is an expected £0.3m of additional cost against the Mancunian Way and Princess Parkway NPIF scheme as a result of the inclusion of the Stretford Road link into the scheme following a change request from Transport for Greater Manchester (TfGM). The overspend is to be funded from the Mayor's Cycling Fund and a delivery agreement is being progressed.

7.11 As per the latest spend profile for the SEMMMS A6 scheme, there is currently additional expected spend of £1.6m over 2020/21 to 2022/23 that will be covered by grant funding from the Department for Transport (DfT).

7.12 Due to the overall efficiency and good performance of the contractor on the Street Lighting PFI project, there is a total underspend of £3.0m which will be removed from the Capital Programme.

Variances – In Year

7.13 The main variances to the revised budget are:

Highways Planned Maintenance Programme

- The resurfacing works within the Highways Planned Maintenance programme for 2020/21 continue to progress ahead of programme. The service has taken advantage of reduced traffic volumes due to COVID-19 to significantly accelerate surfacing works with over 600k sqm of highway resurfaced since April 2020. As a result, £0.4m will be accelerated into 2020/21.

- A total of £1.2m will be reprofiled into next financial year for the Carriageway Preventative programme due to contract procurement taking longer than originally anticipated and the programme being revised as a result. The contract for works is now in place.

- For the Footways project, £0.4m will be accelerated into 2020/21 as additional expenditure is required this year due to the condition of a number of sites and the footways needing re-surfacing.

Mayors Challenge Fund schemes

- There is a requirement to reprofile schemes funded through the Mayor's Challenge Fund, as forecasts have been realigned with the latest programme of works. A number of the projects have been split into phases and planned construction activity timelines updated, including phase 1A of the Northern Quarter Cycling scheme to take place this financial year, and phase 1B in 2021/22.

- In addition, all major projects are susceptible to unforeseen circumstances and all schemes being worked up during 2020/21 have been impacted by the COVID-19 pandemic, and particularly undertaking the necessary public consultations and engagement required for all Highways' projects. Consequently, despite many mitigating actions by the service some projects haven't taken place as originally expected with some being delayed, which has had a significant impact on changes to the final designs and delivery of schemes. Although this has had an effect on the original programme of works, these schemes are grant funded and so there is no financial impact to the Council. A total of £3.3m will be reprofiled into next financial year.

Other Projects

- The cost of the Schools Crossing Improvement Programme was originally estimated using the rates within the Highways Improvement Framework contract as the original proposal was to use this vehicle for delivery. However, due to a range of issues including contractor availability and performance, this delivery vehicle was not used with the exception of three sites. The remainder were delivered in-house by Highways Maintenance and their supply chain. As a result, the actual costs were 25% less than originally estimated, resulting in an underspend of £1.5m that will be reprofiled into next financial year whilst a review and prioritisation of potential future schemes will be undertaken including confirmation of how many additional schools related schemes can be delivered.

- Further to the points in paragraph 7.12, there is a requirement to move £0.8m into next financial year for the Street lighting PFI project as a result of unspent contingency from this year. The remaining budget may be used in 2021/22 to fund some other lighting improvements which could not be accessed during the delivery of the programme, and further approval will be sought to do so.

<u>Risks</u>

7.14 The Highways programme 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 the potential network impact in an effort to minimise disruption to commuters wherever possible.

7.15 There are inherent risks around external factors such as weather conditions which can hinder the schedule of work. The volatility of the marketplace will require increased due diligence checks when appointing future contractors.

7.16 Extensive consultation with stakeholders is undertaken to ensure proper engagement and input into the schemes being delivered, as well as to manage expectations within available budgets and realistic timescales. Current risks around undertaking public consultation during social distancing are being managed through online solutions. The intention of the consultations 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	20/21 Budget set in Feb 20 £m	20/21 Revised Budget £m	20/21 Forecast £m	20/21 Variance £m	Spend to Date £m	Spend to Date as % of Forecast
Environment and Operations	6.0	11.2	6.7	-4.4	0.9	13.2%
Leisure	10.1	4.4	3.4	-1.0	1.5	44.1%
Libraries and Culture	0.6	0.5	0.3	-0.2	0.3	98.9%
Total Neighbourhoods	**16.7**	**16.1**	**10.4**	**-5.7**	**2.7**	**26.0%**
Reprofiling				**-5.5**		
Cost Variations				**0.0**		
Net over (under) spend				**-0.2**		

Environment and Operations Programme

8.2 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.

8.3 The main variances from the original budget set in February 2020 and before the proposals noted in this report are as follows:

- In March 2020, Executive approved a budget increase of £9.9m for the purchase of Electric Refuse Collection Vehicles (RCV's).
- Due to the impact of COVID-19 on delivery of bins for the Waste Reduction Measures project, £0.4m was reprofiled into 2021/22.

8.4 The Environment and Operations programme is forecasting to spend £6.7m compared to a budget of £11.2m, a variance of £4.4m. The programme is shown in the table below:

Environment and Operations	20/21 Budget set in Feb 20 £m	20/21 Revised Budget £m	20/21 Forecast £m	20/21 Variance £m	All Years Budget £m	All Years Forecast £m	All Years Variance £m
Waste Reduction Measures	1.2	0.8	0.8	0.0	4.7	4.7	0.0
Waste Contract	3.8	0.2	0.1	-0.1	8.6	8.6	0.0
Purchase of electric RCVs	0.0	9.9	5.8	-4.1	9.9	9.9	0.0
Cremator and Mercury Abatement	1.0	0.3	0.1	-0.2	1.6	1.6	0.0
Total Environment	**6.0**	**11.2**	**6.7**	**-4.4**	**24.8**	**24.8**	**0.0**

Environment and Operations	20/21 Budget set in Feb 20 £m	20/21 Revised Budget £m	20/21 Forecast £m	20/21 Variance £m	All Years Budget £m	All Years Forecast £m	All Years Variance £m
Reprofiling				**-4.4**			
Cost Variations				**0.0**			
Net over (under) spend				**0.0**			

Activities

8.5 The vehicle delivery plan for the purchase of electric refuse collection vehicles (RCV's) project has been extended due to COVID-19 and the impact on the supply chain. The current plan shows the first two vehicles to be delivered in mid-January with the rest to follow on a fortnightly basis between February and April.

8.6 The works to install Electric Charging Vehicle points at Longley Lane is practically complete, with similar works at the Hammerstone Road site expected to complete in January 2021, including the Electricity North West (ENW) connection to the onsite substation.

Variances – In Year

8.7 Further to the points in paragraph 8.5, several of the electric refuse collection vehicles will now be delivered in April 2021, and so a total of £4.1m will be reprofiled into next financial year.

8.8 Bereavement services have advised that due to the effect of COVID-19 on top of the winter season, works are now expected to start on site for the Cremator and Mercury Abatement programme in April 2021, and as such £0.2m will be moved into next financial year.

8.9 Other in year variances total £0.1m.

Leisure Programme

8.10 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.

8.11 The main variances since the budget was since in February 2020, and before the changes noted in this report are:

- In March, the Abraham Moss project was paused due to COVID-19. The budget was reprofiled due to a full review of project cost and scope being undertaken before the scheme progressed to the construction phase. The 2020/21 budget is now £0.2m.
- Various smaller schemes have been approved throughout the year by the Deputy Chief Executive and City Treasurer under delegated powers, Including Angel

Meadow, Gateley Brook, Non-Turf Wickets and Manchester Aquatics Centre – Car park improvements. More information can be found in previous budget increases reports.

8.12 The Leisure programme is forecasting to spend £3.4m compared to a budget of £4.4m, a variance of £1.0m. The programme is shown in the table below:

Leisure	20/21 Budget set in Feb 20 £m	20/21 Budget £m	20/21 Forecast £m	20/21 Variance £m	All Years Budget £m	All Years Forecast £m	All Years Variance £m
Parks Programme	3.1	0.7	0.6	-0.1	13.9	13.9	0.0
Indoor Leisure – Abraham Moss	6.0	0.2	0.3	0.1	24.7	24.7	0.0
Other Projects	1.0	3.5	2.5	-1.0	44.4	43.8	-0.6
Total Leisure	**10.1**	**4.4**	**3.4**	**-1.0**	**83.0**	**82.4**	**-0.6**
Reprofiling				**-0.8**			
Cost Variations				**-0.2**			
Net over (under) spend				**0.0**			

Activities

8.13 Following the unpausing of the Abraham Moss Leisure Centre scheme, the project team and contractor have been re-engaged. The site has now ceased as a COVID-19 test centre, to allow for pre-demolition surveys to commence in 2021. Demolition works are expected to commence in March 2021, subject to surveys and service disconnections.

8.14 In January 2021, Executive approved a budget increase of £29.2m for the full refurbishment of the Manchester Aquatics Centre. The current programme identifies an 8-month period to complete RIBA Stage 3 and 5 design phases, with the construction programme expected to last a total of 27 months, from July 2021 until October 2023, allowing for the building to remain operational with access to a minimum of 1 pool at a time.

8.15 Elsewhere in the Leisure portfolio, works continue to progress for the Non-Turf cricket wickets project, with 12 sites of the 17 now complete. The refurbishment of the National Cycling Centre continues with the RIBA Stage 4 design phase expected to conclude in early 2021, which will inform cost and scope for the main works.

Variances - All Years

8.16 The Manchester Regional Arena Outdoor Athletics Track Replacement Project has an underspend of £0.5m as result of the final costs coming in lower than the approved budget. This will be removed from the Capital Programme.

8.17 Following the final account for the Indoor Lesure – Moss Side project, there is a total underspend of £0.1m which will be removed from the Capital Programme.

Variances - In Year

8.18 Due to COVID-19, several schemes due to start this financial year within the Parks Development Programme are now scheduled to begin in 2021/22 meaning that there is a requirement to move £0.1m into next financial year.

8.19 There is requirement to reprofile £0.2m into next financial year for the Hough End Master Plan Football hub development due to partners pausing to get clarity on support from investors towards the main scheme. This has now been clarified and the main contractor appointed with a revised programme of works provided.

8.20 A total of £0.4m will be moved into next financial year across the Mellands Projects to allow local members to review the Gorton and Abbey Hey plans. A contractor is now on board for the Levenshulme works which are expected to take place in 2021/22.

8.21 The recently approved works to Wythenshawe track changing rooms are estimated to begin in 2021/22 and as such a total of £0.2m will be moved into next financial year.

8.22 Other in year variances are as noted in paragraphs 8.16-8.17.

Libraries Programme

8.23 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.

8.24 The Libraries programme is forecasting to spend £0.3m against a budget of £0.5m, a variance of £0.2m. The programme is shown in the table below:

Libraries	**20/21 Budget set in Feb 20 £m**	**20/21 Revised Budget £m**	**20/21 Forecast £m**	**20/21 Variance £m**	**All Years Budget £m**	**All Years Forecast £m**	**All Years Variance £m**
Open Libraries	0.3	0.1	0.1	0.0	0.5	0.5	0.0
Other Projects	0.3	0.4	0.2	-0.2	1.7	1.7	0.0
Total Libraries	**0.6**	**0.5**	**0.3**	**-0.2**	**2.2**	**2.2**	**0.0**
Reprofiling				**-0.2**			
Cost Variations				**0.0**			
Net over (under) spend				**0.0**			

Activities

8.25 The Open libraries project to enable wider customer self-service access to libraries, specifically at the Avenue Library in Blackley, is underway and expected to complete in early 2021.

Variances – In Year

8.26 Due to COVID-19 and site restrictions, finalising the scope of works for the Central Library refresh project has taken longer than originally anticipated and as a result, a total of £0.2m will be reprofiled into next financial year.

Risks

8.27 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 three main themes, the details of which are provided separately below:

Growth and Development	**20/21 Budget set in Feb 20 £m**	**20/21 Revised Budget £m**	**20/21 Forecast £m**	**20/21 Variance £m**	**Spend to Date £m**	**Spend to Date as % of Forecast**
Culture	55.7	38.2	36.5	-1.7	23.7	64.9%
Corporate Estates	33.4	20.4	18.9	-1.5	13.3	70.9%
Development	29.9	35.3	32.1	-3.2	13.7	42.7%
Total Growth and Development	**119.0**	**93.9**	**87.5**	**-6.4**	**50.7**	**58.1%**
Reprofiling				**-6.3**		
Cost Variations				**0.0**		
Net over (under) spend				**-0.1**		

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 and St Johns Public Realm budgets have continually been reviewed and updated for the revised cash flow from the contractor in line with the latest construction programme and revised fees.

9.4 The Culture programme is forecasting to spend £36.5m compared to a budget of £38.2m, a variance of £1.7m. The programme is shown in the table below:

Cultural	**20/21 Budget set in Feb 20 £m**	**20/21 Revised Budget £m**	**20/21 Forecast £m**	**20/21 Variance £m**	**All Years Budget £m**	**All Years Forecast £m**	**All Years Variance £m**
The Factory	54.0	37.9	36.2	-1.7	190.2	190.2	0.0
St Johns Public Realm	1.7	0.3	0.3	0.0	6.7	6.7	0.0
Total Cultural	**55.7**	**38.2**	**36.5**	**-1.7**	**196.9**	**196.9**	**0.0**
Reprofiling				**-1.7**			
Cost Variations				**0.0**			
Net over (under) spend				**0.0**			

Activities

9.5 Work continues on The Factory project with the pouring of concrete for slabs for the Level 2 warehouse and the west warehouse internal precast installation ongoing. It is expected that the West Warehouse roof infills will be completed in early 2021 along with the Theatre south steelwork, with the first phase of work to the warehouse roof being completed as far as possible. Preliminary costs for the public realm scheme have now been received.

9.6 The current programme shows expected completion in December 2022. A fortnightly review of the programme is undertaken, which allows the team to manage any issues arising and identify any warnings of delay to the programme. Work is ongoing to mitigate programme slippage, including enhanced resources within the design team, along with restructuring the phasing of the construction of the building.

9.7 The Council has been successful in its bid for kickstart funding of £21m. The updated 5 case business case for the scheme, requested by DCMS will be submitted in January and reviewed at the DCMS finance committee in February. Manchester International Festival (MIF) is in the process of appointing a commercial sponsorship agency to secure a naming rights sponsor, and work is ongoing to structure the agreements needed to ensure the most VAT efficient structure is adopted.

Variances – In Year

9.8 A total of £1.7m will be reprofiled into next financial year for The Factory due to reprofiling of contingency in year and various work package costs now being paid later than previously forecast. Pre-Construction Services Agreement (PCSA) fees are also expected to be paid later than previously forecast.

<u>Risks</u>

9.9 The risk profile for the Factory focuses on ensuring the project is delivered within the revised project timescales and revised budget forecast.

Corporate Estates Programme

9.10 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.

9.11 The main changes since the budget set in February 2020 and prior to the proposals highlighted in this report are as follows:

- In July 2020, a number of schemes across the Asset Management Programme (AMP) were reprofiled into future years due to being on hold or progressing slower than expected as a result of COVID-19. The 2020 budget is now £8.0m.
- The Hammerstone Road scheme was paused for COVID-19 and as a result, the 2020/21 budget was re-profiled from £9.3m to £2.1m. Executive approved the unpausing of the scheme in July 2020.
- Similarly, due to COVID-19 all works on site were paused for the Carbon Reduction programme, and a review of the budget completed. Works have now recommenced, and the 2020/21 budget was revised to £3.9m.

9.12 The Corporate Estates programme is forecasting to spend £18.9m compared to a budget of £20.4m, a variance of £1.5m. The programme is shown in the table below:

Corporate Estates	**20/21 Budget set in Feb 20 £m**	**20/21 Revised Budget £m**	**20/21 Forecast £m**	**20/21 Variance £m**	**All Years Budget £m**	**All Years Forecast £m**	**All Years Variance £m**
Asset Management Programme	11.7	8.0	7.1	-0.9	20.0	20.0	0.0
Hammerstone Road Depot	9.3	2.1	1.2	-0.9	20.1	20.1	0.0
Carbon Reduction Programme	6.4	3.9	3.9	0.0	24.5	24.5	0.0
Estates Transformation	6.0	5.5	6.2	0.7	18.3	18.2	-0.1
Other Projects	0.0	0.8	0.6	-0.2	1.4	1.4	0.0
Total Corporate Estates	**33.4**	**20.4**	**18.9**	**-1.5**	**85.7**	**85.6**	**-0.1**
Reprofiling				**-1.4**			
Cost Variations				**-0.1**			
Net over (under) spend				**0.0**			

Activities

9.13 Following the decision to progress the Hammerstone Road project at Executive in July 2020, the design team are now preparing costs, programme and plans for approval. Start on site, subject to approval, is expected in May 2021.

9.14 The Carbon Reduction Programme continues to progress well, with carbon saving measures now complete in the majority of buildings within phase 1 of the programme, including the Town Hall Extension, Wythenshawe Forum, Belle Vue sports Centre and Arcadia Sports Centre. The remaining works within phase 1 of the programme are expected to be complete by March 2021, saving a total of 1,400 metric tonnes of carbon annually.

9.15 The Council has submitted a bid for £23m grant funding under the Public Sector Decarbonisation Scheme, supporting our ambition to remove gas and oil from all Council buildings, placing them on a pathway to decarbonisation, primarily through electrification. A decision on the funding is expected imminently, and budget approval is requested in a report elsewhere on the agenda, with works planned for 2021.

9.16 Construction at Alexandra House is now complete, and the building has been handed over by the contractor. Fit out works have commenced including COVID-19 safety measures. Council staff were due to move into the building on the 1st February, however with the latest national lockdown this is now being reviewed.

Variances – All Years

9.17 Following the completion of the Estates Transformation - Hulme District Office project, there is an underspend of £0.1m which will be removed from the Capital Programme.

Variances – In Year

9.18 The Asset Management Programme forecast has been updated in light of the latest COVID-19 restrictions and the need for longer timescales for mobilisation and supply factors for the larger projects including works at Bridgewater Hall, Z Arts and the National Football Musuem which were originally expected to be on site before April 2021. A total of £0.9m has been moved into next financial year.

9.19 As noted in paragraph 9.13, start on site for the Hammerstone Road project is now expected in May 2021. As a result, a total of £0.9m will be reprofiled into next financial year.

9.20 There is a budget acceleration of £0.7m on the Alexandra House scheme, as the early completion date has enabled greater certainty over the forecasts, thereby reducing any potential impact of COVID-19. In addition, there has been greater progress on the collateral warranties on the project.

9.21 Due to COVID-19 restrictions and the latest national lockdown, the Greening of the City budget has been reprofiled and a total of £0.2m moved in to 2021/22.

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 is being maintained and managed throughout the delivery phase with key risks being escalated to the Carbon Reduction Programme Board, reporting into the Estates Board. A similar process will be adopted for the Public Sector Decarbonisation phase of works.

Development Programme

9.24 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.

9.25 Since the budget agreed in February 2020, the Executive have agreed the addition of a number of schemes to the Development Programme, including House of Sport, Piccadilly Gardens Phase 1, the Housing Infrastructure Fund and Mayfield Park. These additional schemes are the main reason for the difference between the original budget and the revised budget.

9.26 The Development programme is forecasting to spend £32.1m compared to a budget of £35.3m, a variance of £3.2m. The programme is shown in the table below:

Development	**20/21 Budget set in Feb 20 £m**	**20/21 Revised Budget £m**	**20/21 Forecast £m**	**20/21 Variance £m**	**All Years Budget £m**	**All Years Forecast £m**	**All Years Variance £m**
Digital Asset Board (MCDA)	1.5	0.4	0.2	-0.2	26.8	26.8	0.0
Strategic Acquisitions Board	3.0	3.3	3.3	0.0	17.2	17.2	0.0
Northern Gateway	6.7	11.2	9.2	-2.0	76.6	76.6	0.0
Eastern Gateway	0.8	1.9	1.9	0.0	51.7	51.7	0.0
City Centre	6.6	6.6	6.3	-0.3	63.3	63.3	0.0
Other Growth & Development	11.4	11.9	11.2	-0.7	52.6	52.6	0.0
Total Development	**29.9**	**35.3**	**32.1**	**-3.2**	**288.2**	**288.2**	**0.0**

Reprofiling				**-3.2**			
Cost Variations				**0.0**			
Net over (under) spend				**0.0**			

Activities

9.27 The demolition of the concrete wall within Piccadilly Gardens is complete. The public consultation for the wider scheme within the area is expected to begin at the end of January 2021. Following the outcome of this, a contractor and design team will be procured to take the scheme to RIBA Stage 3.

9.28 The House of Sport project is progressing, with the Pre-Construction Services Agreement (PCSA) with the contractor commencing before Christmas. An introductory meeting with the intended leaseholders was held and the Agreement for Lease was issued to them in December.

9.29 RIBA Stage 4 designs are ongoing and a planning decision is expected in January 2021 for the Glade of Light memorial within the Medieval Quarter Public Realm project, following final comments and input from the Accessibility Working Group. A contract for the works is expected to be signed in January 2021. A charitable trust is to be established, chaired by the Chief Executive, in order to deliver and maintain the memorial.

Variances – In Year

Digital Assets Board

9.30 There is a requirement to reprofile £0.1m in to 2021/22 for the Digital Asset Base – One Central Park scheme, as due to COVID-19 there have not been the expected amount of lettings and no further costs are expected in the current financial year.

9.31 As the procurement of the design and professional team for Space Studios Phase 3 has not yet completed, a total of £0.1m will be reprofiled into next financial year.

Eastern Gateway

9.32 Site investigations for Central Retail Park are taking longer than originally anticipated due to ongoing discussions with Government. Also, site security costs anticipated in 2020/21 are less than forecast due to the site being used for COVID-19 testing, meaning a requirement to move £0.5m into next year.

9.33 Acceleration of £0.7m for the House of Sport project is required due to the initial cashflow being based upon a high-level estimate provided as an indicative illustration only, which is now being firmed up as the scheme progresses through RIBA work stages and main contractor involvement is obtained.

9.34 Other in year variances total £0.2m.

Northern Gateway

9.35 Despite best efforts on both sides throughout the contract negotiation period, the target date for the Northern Gateway Housing Infrastructure Fund (HIF) scheme entering into the Grant Determination Agreement (GDA) with Homes England has been affected by COVID-19. This has delayed implementation of the procurement strategy, and the appointment of consultants and contractors. A total of £2.0m will be reprofiled into 2021/22 and appropriate mitigation measures are being identified in order to accelerate the programme and achieve projected spend in subsequent years.

City Centre

9.36 A total of £0.2m will be reprofiled into next financial year for the HOME Arches project whilst a design and build contractor is selected.

9.37 Other in year variances total £0.1m.

Other Growth and Development

9.38 The milestone payments to the contractor for the Civic Quarter Heat Network project have been updated to reflect the work completed on site. As a result, a total of £0.7m will be reprofiled into 2021/22.

Risks

9.39 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 for example 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.

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 The Our Town Hall Refurbishment programme is forecasting to spend £34.6m compared to a revised budget of £39.2m, a variance of £4.6m. The programme is shown in the table below:

Our Town Hall	**20/21 Budget set in Feb 20 £m**	**20/21 Revised Budget £m**	**20/21 Forecast £m**	**20/21 Variance £m**	**All Years Budget £m**	**All Years Forecast £m**	**All Years Variance £m**
Our Town Hall Refurbishment	49.1	39.2	34.6	-4.6	305.2	305.2	0.0

Total Our Town Hall Refurbishment	**49.1**	**39.2**	**34.6**	**-4.6**	**305.2**	**305.2**	**0.0**
Reprofiling				**-4.6**			
Cost Variations				**0.0**			
Net over (under) spend				**0.0**			

Activities

10.3 Construction activity on the Our Town Hall Project continues, as work has begun on the sash windows samples on site, and the earthing has started for the Electricity North West (ENW) substation. Within the Great Hall the chandeliers and the organ have been removed and taken off site for storage. Work continues on the scaffolding on the clock tower, with scaffolding also being erected in the courtyard and chimneys on the Albert Square side of the building.

10.4 Construction remains on programme with the practical completion date remaining as May 2024 for the Town Hall. This includes a time risk allowance of 35 days which the team are working to increase to 50 days by mitigating actions prior to April 2021. The completion of Albert Square is expected in October 2023.

Variances – In Year

10.5 There is a requirement to move £4.6m into future years due to the reprofiling of the contingency budget in line with construction values and risk management procedures. Work packages costs have also been reprofiled in line with the latest programme of works and due to several starting later than expected such as Stonework, Screed and Limecrete and Plaster Removal.

Risks

10.6 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.

10.7 External factors such as supply chain uncertainty, the reoccurrence of further COVID-19 related restrictions and the availability of sufficient and appropriate specialists to ensure the quality of the finished work, will require 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 The main changes since the Budget set in February 2020, and prior to those noted in this report are as follows:

- Due to backlog issues relating to COVID-19, reprofiling of schemes funded through the Disabled Facilities grant was required. The 2020/21 budget is now £4.0m.
- At Outturn, the Ben Street Regeneration budget was reprofiled in relation to potential defects that may have arose following completion of the scheme.

11.3 The Private Sector Housing programme is forecasting to spend £13.8m compared to a budget of £17.1m, variance of £3.3m. The programme is shown in the table below:

Private Sector Housing (General Fund)	**20/21 Budget set in Feb 20 £m**	**20/21 Revised Budget £m**	**20/21 Forecast £m**	**20/21 Variance £m**	**All Years Budget £m**	**All Years Forecast £m**	**All Years Variance £m**
Brunswick PFI Land Assembly	0.6	0.1	0.1	0.0	9.7	9.7	0.0
Disabled Facilities Grant	7.5	4.0	3.0	-1.0	53.9	53.9	0.0
Ben Street Regeneration	0.9	0.4	0.1	-0.3	8.7	8.7	0.0
Marginal Viability Fund – New Victoria	6.7	6.2	6.2	0.0	11.4	11.4	0.0
Other Projects	6.9	6.4	3.7	-2.0	85.9	85.9	0.0
Total Private Sector Housing (General Fund)	**22.6**	**17.1**	**13.8**	**-3.3**	**169.6**	**169.6**	**0.0**
Reprofiling				**-3.3**			
Cost Variations				**0.0**			
Net over (under) spend				**0.0**			

<u>Activities</u>

11.4 Funded through the Disabled Facilities Grant, the backlog of Assessments of Need due to COVID-19 is now reducing. Contractors and partners have continued to deliver adaptations, subject to agreements with tenants and homeowners.

11.5 Properties continue to be identified for the Next Steps Accommodation Progamme, with 77 one-bedroom apartments now identified. A building services contractor will be appointed by the most appropriate framework to undertake refurbishment works once completion is achieved.

11.6 Leaflets are being posted to homes to raise awareness of the Green Homes Grant delivery scheme available to Manchester residents. The contract for the project is expected to be signed in early 2021.

<u>Variances – In Year</u>

11.7 Due to the latest COVID-19 national lockdown, a further £1.0m will be moved into next financial year for schemes funded through the Disabled Facilities Grant, as the client group are those more likely to need to be shielded, which will in turn effect the amount of works that can be done.

11.8 Due to COVID-19, restrictions have prolonged the estimated timeframe for completion of the Ben Street project, although work is progressing. A total of £0.3m will be moved into 2021/22.

11.9 Further to the point in paragraph 11.5, although work is progressing, COVID-19 has caused some delay with the progress of the Next Steps Accommodation Property acquisitions project and assigning a contractor to develop the properties to a liveable standard, and as a result a total of £2.7m will be reprofiled into next year.

11.10 A total of £0.7m will be accelerated into 2020/21 for the Marginal Viability Fund – New Victoria project as work packages have been finessed and the programme detail updated accordingly.

Risks

11.11 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. 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 Due to COVID-19, all but two projects that were on site in March 2020 were suspended, with plans to restart when restrictions were lifted, unless there was good reason to continue, and it was able to be delivered. The budget was reprofiled, and the revised Public Sector Housing budget is now £17.8m.

12.3 The Public Sector Housing (HRA) programme is forecasting to spend £16.1m compared to a budget of £17.8m, a variance of £1.7m. The programme is shown in the table below:

Public Sector Housing (HRA)	**20/21 Budget set in Feb 20 £m**	**20/21 Revised Budget £m**	**20/21 Forecast £m**	**20/21 Variance £m**	**All Years Budget £m**	**All Years Forecast £m**	**All Years Variance £m**
Northwards	30.6	16.1	15.3	-0.7	79.5	79.5	0.0
North Manchester New Builds	3.5	1.2	0.2	-1.0	22.2	22.2	0.0
Other Projects	4.6	0.5	0.5	0.0	40.6	40.6	0.0
Total Public Sector Housing (HRA)	**38.8**	**17.8**	**16.1**	**-1.7**	**142.3**	**142.3**	**0.0**

Reprofiling				**-1.7**			
Cost Variations				**0.0**			
Net over (under) spend				**0.0**			

Activities

12.4 Within the Northwards programme, all live projects apart from two were suspended in March due to COVID-19. Projects began to restart in July, with the final projects restarted in October 2020. As at December 2020, a total of 42 major adaptations had reached handover.

12.5 Due diligence work to enter into contract for the North Manchester New Builds – Silk Street continues. A formal bid for Homes England Affordable Housing Programme funding will be completed now that bidding is open. Construction of new homes is expected to begin in September 2021 with practical completion expected November 2022.

Variances – In Year

12.6 Across the Northwards Programme, there is a requirement to reprofile £0.7m into future years. The most significant is the Rushcroft and Pevensey Courts Ground Source Heat Pumps project, which is based on the current assessment of works and that only external work will be completed this financial year.

12.7 The Silk Street programme has been slowed down to ensure member views around design and social value are reflected, and so a total of £0.9m will be moved into next financial year.

12.8 Other in year variances total £0.1m.

Risks

12.9 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.

12.10 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.

12.11 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 2020 and prior to those noted in this report include:

- As reported at outturn, the acquisition of land at Hyde Road was expected to take place before the end of the calendar year and so the total £13.1m budget was reprofiled into 2020/21.
- The 2020/21 school maintenance allocation was published at the end of 2019/20, and a scheme of works was subsequently approved by the Executive. The 2020/21 budget is now £4.5m.

13.3 The Children's Services programme is forecasting to spend £37.2m compared to a budget of £44.4m, a variance of £7.2m. The programme is shown in the table below:

Children's Services	**20/21 Budget set in Feb 20 £m**	**20/21 Revised Budget £m**	**20/21 Forecast £m**	**20/21 Variance £m**	**All Years Budget £m**	**All Years Forecast £m**	**All Years Variance £m**
Basic Need and SEND Programme	20.8	20.6	18.1	-2.5	139.3	139.3	0.0
School Maintenance programme	3.6	4.5	3.3	-1.2	11.3	12.6	1.3
Other Projects	5.0	19.3	15.8	-3.5	24.1	20.9	-3.1
Total Children's Services	**29.5**	**44.4**	**37.2**	**-7.2**	**174.7**	**172.3**	**-1.8**
Reprofiling				**-4.1**			
Cost Variations				**0.0**			
Net over (under) spend				**-3.1**			

<u>Activities</u>

13.4 The acquisition of the former cinema site at Hyde Road has completed, which will enable the development of a new secondary school, Co-op Academy Belle Vue, plus housing on the site. RIBA Stage 2 costings and designs for the school are currently under review by the Council. A Pre-Construction Services agreement (PCSA) and planning application for demolition of the cinema is expected in early 2021.

13.5 The Special Educational Needs (SEN) Basic Need programme continues to progress well with the superstructure at Roundwood Road now complete, foundations complete at Brookside Road and foundations commenced at North

Hulme Adventure Playground. The entire programme was on schedule up to the Christmas break, and an update is awaited from the contractors following the latest national lockdown and any impact that may have on the supply chain.

13.6 The modular units for the North Ridge expansion were delivered before Christmas and internal works are nearing completion, with groundwork and utility connections to be done imminently. Completion of the entire project is expected in early 2021.

Variances – All Years

13.7 In August 2020, a further allocation of Schools Maintenance funding was announced by the Government, with Manchester's allocation at an additional £1.3m. This will be added to the Capital Programme when the scheme of works for 2021/22 is brought forward.

13.8 Further to the point in paragraph 13.4, the purchase of the Hyde Road site has completed at £3.1m less than was originally budgeted for. This will be removed from the Capital programme.

Variances – In Year

Education Basic Need

13.9 As previously reported, a more detailed and accurate construction cash flow has now been received from the contractor of the SEN EBN programme and as a result, a total of £1.2m will be reprofiled into next financial year.

13.10 As per the latest schedule of works, the scheme to deliver a modular build extension and temporary units at Connell Co-op College for additional secondary school places in September 2021 ahead of the Co-op Academy Belle Vue opening in September 2023, is expected to start on site in April 2021, and therefore requires reprofiling of £1.1m into next financial year.

13.11 Other in year variances total £0.2m.

Schools Maintenance Programme

13.12 A total of £1.2m will be moved into next financial year for the Schools Maintenance Programme, including £0.8m for the Broad Oak Kitchen scheme as designs are ongoing and work is expected to be undertaken in 2021/22. The remaining £0.4m relates to unspent contingency across all 2020/21 projects.

Other Projects

13.13 As a result of Greenwich Leisure Ltd (GLL) retendering works for the Ghyll Head project, a total of £0.4m will be reprofiled into next financial year. Tenders are currently being evaluated with final project costs to be updated following this.

13.14 Other in year variances relate to paragraph 13.8.

Risks

13.15 There is a 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 has developed a School Places plan for 2020 to 2025 using forecasted demand to ensure that there are sufficient high quality school places available in the right areas across the City. The Council's relationship with the DfE is also key to ensuring that free school places are delivered on time.

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 2020 and before those outlined in this report are:

- In 2019/20, Executive approved a £1.8m scheme to implement Microsoft 365 across the Council Estate.
- As a result, the End User devices budget was reprofiled to account for the expected interdependencies between the projects.

14.3 The ICT programme is forecasting to spend £3.8m against a budget of £3.3m, a variance of £0.5m. The programme is shown in the table below:

ICT	20/21 Budget set in Feb 20 £m	20/21 Revised Budget £m	20/21 Forecast £m	20/21 Variance £m	All Years Budget £m	All Years Forecast £m	All Years Variance £m
Microsoft 365	0.0	1.8	1.8	0.0	1.8	1.8	0.0
End User Experience	3.4	0.6	1.0	0.4	5.2	5.2	0.0
Other Projects	2.3	0.9	1.0	0.1	37.4	37.4	0.0
Total ICT	**5.7**	**3.3**	**3.8**	**0.5**	**44.4**	**44.4**	**0.0**
Reprofiling				**0.5**			
Cost Variations				**0.0**			
Net over (under) spend				**0.0**			

Activities

14.4 All Council staff with an email account have now migrated to Microsoft Office 365, with only a small number of shared mailboxes and c.1000 mobile telephone devices left to migrate. Change leads and Digital Champions remain in place across the Authority to support staff and to share knowledge and information.

14.5 The main activities for the Data Centre Network Design are now complete and the migrations have been successful. Service transition activities are underway which will continue to utilise internal resources. All telephony has now moved from the Sharp Data Centre to UK Fast and the decommissioning of the Sharp Data Centre will be undertaken in 2021.

14.6 The contract award report was signed by the City Treasurer for the WAN Refresh project in December 2020. This supported the Council's application for £0.9m of grant funding for the project from the Department for Digital, Culture, Media and Sport, which has now been confirmed.

14.7 In January 2021, Executive approved a budget increase of £3.6m for the End User Device project, which will see all Council staff allocated end-user devices to meet the needs of their roles and the replacement of a substantial amount of equipment that is past end of life. A framework agreement has now been signed and data analysis continues to determine who has got what device and what device individuals will need in the future. It is estimated that new devices will start to be rolled out in March.

Variances - In Year

14.8 Due to COVID-19, a number of laptops and mobile phones have been procured to support homeworking. All devices that have been ordered are in line with the End User Device strategy and the associated specification to ensure that staff receive the best device possible to support their current and future working practices. As a result, a total of £0.4m will be accelerated into 2020/21.

14.9 As a result of the contract award report being signed for the WAN project, reprofiling of the Network Refresh budget is required in order to support both the WAN and the LAN and WIFI projects beginning in 2020/21. A total of £0.2m will be accelerated into this financial year.

14.10 Due to the interdependencies between the Telephony and the End User Device projects, as well as the continuation of homeworking, the decision on the telephony handset requirements for Council buildings is subject to a further review being led by Estates, ICT and HR. As a result, a total of £0.1m will be moved into 2021/22.

Risks

14.11 An emerging risk the ICT portfolio is the global industry wide shortage in Laptop supplies. The project manager for the End User Device scheme is liaising with our current supplier to ensure we have the latest information on shortages and estimated lead times. The project team will work proactively to ensure orders are placed in advance to prevent delays in device roll outs.

14.12 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.

14.13 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.

14.14 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 2020, and prior to those reported in this report are as follows:

- In March, the Integrated Working – Gorton Health Hub project was paused due to COVID-19. The 2020/21 budget is now £4.4m.
- The package of shareholder support approved for Manchester Airport Group was included in the budget following an urgent key decision approved in April 2020.

15.3 The Corporate Services programme is forecasting to spend £115.4m compared to a budget of £155.7m, a variance of £40.3m. The programme is shown in the table below:

Corporate Services	20/21 Budget set in Feb 20 £m	20/21 Budget £m	20/21 Forecast £m	20/21 Variance £m	All Years Budget £m	All Years Forecast £m	All Years Variance £m
Integrated Working – Gorton Health Hub	17.2	4.4	0.4	-4.0	22.8	22.8	0.0
BioMedical Investment	6.1	3.8	3.8	0.0	21.3	21.3	0.0
Manchester Airport Group Support	0.0	142.7	106.5	-36.2	142.7	142.7	0.0
Other Projects	14.9	4.8	4.7	-0.1	153.7	153.5	-0.2

Total Corporate Services	**38.2**	**155.7**	**115.4**	**-40.3**	**340.5**	**340.3**	**-0.2**
Reprofiling				**-40.1**			
Cost Variations				**0.0**			
Net over (under) spend				**-0.2**			

Activities.

15.4 Following the unpausing of the scheme by the Executive in July, the Integrated Working - Gorton Health Hub Project Team reconvened. All stakeholder review meetings are now complete and the updated cost plan and scope for the project will be reviewed and agreed by internal colleagues and presented to Executive members in the upcoming months.

Variances - All Years

15.5 There is a total expected underspend of £0.2m for the Pay and Display Machines project as a result of the total contingency budget not being utilised. Once quantified, this will be removed from the Capital Programme.

Variances – In Year

15.6 As reported in paragraph 15.4, the Gorton Health hub project forecast has been further updated in light of COVID-19 and the review of the scope with partners. As a result, a total of £4.0m will be reprofiled into next financial year, when it is expected that the project will begin.

15.7 No further payments are expected to be made this financial year as part of the shareholder support approved for Manchester Airport Group, and so a total of £36.2m will be reprofiled into next financial year.

15.8 Other variances total £0.1m.

Risks

15.9 The nature and scope of the schemes within the Corporate Programme mean that project progression is highly reliant on third parties and there is therefore a risk of external factors causing delays.

16 Capital Resources

16.1 The capital programme is reviewed on an ongoing basis to confirm the resources required to finance capital spend are in place, the future years programme is fully funded and that the required resources are secured within an affordable level of prudential borrowing.

16.2 The table below summarises the current funding assumptions for the full programme. This will be reviewed in line with the overall review of capital programme priorities. 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.

Draft funding position for 2020/21 Capital Programme based on current forecast:

	£m
Grants	72.0
External Contributions	32.0
Capital Receipts	12.3
Revenue Contributions to Capital	18.1
Capital Fund	5.0
Borrowing	232.7
Total	**372.1**

16.3 To note, the draft funding position above includes the financing of the net £0.1m 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.

17 Capital Programme Re-phasing and Variations

17.1 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 2020/21 to 2024/25. The cumulative impact of these adjustments is shown in the table below.

Proposed Capital Programme variations 2020/21 to 2023/24

	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	Total Programme £m
Capital Budget (October 20)	446.7	402.2	326.4	119.7	34.1	1,329.0
Forecast Reprofile	-71.4	48.4	5.4	15.4	2.2	0.0
Cost Variations	-3.3	-3.5	0.0	0.0	0.0	-6.8
Proposed Capital Budget	372.0	447.1	331.8	135.1	36.3	1,322.3

Virements

17.2 Various schemes across the programme require virements in 2020/21 - 2022/23, as shown in the Appendix A.

17.3 The Council is requested to approve virements over £0.5m within the capital programme as outlined in Appendix A.

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

18 Social Value

18.1 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.

19 Changes to PWLB borrowing rates

19.1 As part of the Government's March 2020 budget, a consultation on the future of the PWLB was launched, and the Council responded in July. As a result of the consultation outcome, PWLB rates have reduced again and further details can be found in the Capital Strategy and Treasury Management Strategy Statement elsewhere on the agenda.

20 Prudential Indicators

20.1 The prudential indicators as at the end of December 2020 are shown at appendix B.

21 Contributing to the Our Manchester Strategy

(a) A thriving and sustainable city

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

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

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

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

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

22 Key Policies and Considerations

(a) Equal Opportunities

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

(b) Risk Management

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

None.

Appendix A – Proposed Programme Virements

Project Name	2020/21 In year virement proposed	2021/22 In year virement proposed	2022/23 In year virement proposed	2023/24 In year virement proposed
Large Patching repairs	164			
Patching Defect repairs	36			
Carriageway Resurfacing	23			
Highways Maintenance Challenge Fund	-200			
Didsbury West	-23			
Total Highways Programme	**0**	**0**	**0**	**0**
Moston Miners Low Rise externals		-13		
Newton Heath Limerston Drive externals		-6		
External cyclical works Ancoats Smithfields estate		15		
External cyclical works New Moston		-8		
Electricity North West distribution network		8		
Charlestown Pevensey and Rushcroft Courts door entry systems renewal	-49			
Delivery Costs	-122			5
One offs such as rewires, boilers, doors, insulation		-31		
Boiler replacement programme	6			
Harpurhey - Monsall Multis Internal Works		-8		
Higher Blackley - Liverton Court Internal Works		-62		
Bradford/Clifford Lamb/Kingsbridge/Sandyhill Court Internal Works	33	52		
Charlestown - Rushcroft/Pevensey Court Internal Works			31	
Collyhurst - Mossbrook/Roach/Vauxhall/Humphries Court Internal Works		111		
Charlestown - Rushcroft/Pevensey Courts Lift Refurb				12
Fire Risk Assessments				1
Harpurhey Baths Estate (excl Edward Grant Court) and Cheetham Appleford Estate			1	
Newton Heath Troydale and Croyden Drive Low Rise Estates	-52	-32		
Retirement blocks various works				115

Project Name	2020/21 In year virement proposed	2021/22 In year virement proposed	2022/23 In year virement proposed	2023/24 In year virement proposed
Retirement blocks lift replacement apprentice and edward grant courts		-114		
Delivery Costs	-325	-7		
Improvements to Homeless accommodation city wide		-12		
Improvements to Homeless Accommodation Phase 2			12	
Delivery Costs	-17			
Adaptations		-52		
Various Locations - Adaptations			52	
Delivery Costs	-2	-4		
Northwards Housing Programme - Unallocated	528	163	-96	-133
Total Public Sector Housing (HRA) Programme	**0**	**0**	**0**	**0**
Plymouth Grove Refurbishment	-85			
Piper Hill Special School	15			
SEND Expansions - Melland and Ashgate	3			
Basic need - unallocated funds	67			
Lily Lane Prim Windows		50		
St.Augustine's	-2			
Mauldeth Road Rewire	-94			
Button Lane Primary Fire Alarm	-25			
Charlestown Comm Fire Alarm/Lighting	-38			
Northenden Primary Pipework and Radiators	-23			
Crowcroft Park roof repairs	-79			
Abbott Kitchen ventilation	-60			
Manley Park Primary roof repairs	-50			
Schools Capital Maintenance - unallocated	371	-50		
Total Children's Services Programme	**0**	**0**	**0**	**0**
Internet Resilience	-3			
ICT Investment Plan	3			
Total ICT Programme	**0**	**0**	**0**	**0**
Total Capital Programme	**0**	**0**	**0**	**0**

Appendix B – Prudential Indicators as at end of December 2020

No	Prudential Indicator		Target		As at end Dec 20	Target Breached Y/N
			£m		£m	
1	Estimated Financing Costs to Net Revenue Stream		6.7%		6.7%	N
2	Forecast Capital Expenditure	Non – HRA	453.7		356.0	N
		HRA	38.8		16.1	N
		Total	492.5		**372.1**	N
3	Forecast Capital Financing Requirements	Non – HRA	1,637.1		1,401.4	N
		HRA	299.2		299.2	N
		Total	1,936.3		**1,700.6**	**N**
4	Authorised Limits for External Debt	Borrowing	1,384.5		774.1	N
		Other Long Term Liabilities	190.0		190.0	N
		Total	1,574.5		964.1	N
5	Operational Boundaries for External Debt	Borrowing	1,006.2		774.1	N
		Other Long Term Liabilities	190.0		190.0	N
		Total	1,196.2		964.1	N
6	Upper Limits for Principle Sums Invested for over 364 days		0		0	
			Upper Limit	*Lower Limit*		
7	Maturity Structure of Borrowing	under 12 months	80	0	43.6%	N
		12 months and within 24 months	70	0	17.5%	N
		24 months and within 5 years	60	0	8.9%	N
		5 years and within 10 years	50	0	0.1%	N
		10 years and above	80	20	29.9%	N

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Manchester City Council
Report for Resolution

Report to: Executive – 17 February 2021

Subject: Medium Term Financial Strategy and Budget 2021/22

Report of: Chief Executive and City Treasurer

Purpose of the Report

This report sets the strategic and financial context which supports the 2021/22 Budget. The 2021/22 Budget will be a one-year budget, following the Government's decision to announce a one-year spending review 25 November 2020 followed by a one-year Provisional Local Government Finance Settlement, 2020/21 released on 17 December 2020 and (confirmed as final on 4 February 2021). The proposed 2021/22 budget will continue to reflect the priorities set out in the Corporate Plan. The full detail for 2021/22 can be found in the accompanying 2021/22 Revenue Budget Report.

This report sets out the Strategic Framework for Our Manchester Strategy and Corporate Plan priorities. It also provides the financial context for the budget and the required statutory assessment of the robustness of the proposed budget

Recommendations

The Executive is requested to consider the Revenue Budget Reports 2021/22 and Capital Strategy 2021-2025 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 2021/22 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 economy that creates jobs and opportunities.	This report sets out the Strategic Framework for the delivery of a balanced budget for 2021/22. 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.

Contact Officers:

Name: Joanne Roney
Position: Chief Executive
Tel: 0161 234 3006
E-mail: j.roney@manchester.gov.uk

Name: Carol Culley
Position: Deputy Chief Executive and City Treasurer
Tel: 0161 234 3406
E-mail: c.culley@manchester.gov.uk

Name: Fiona Ledden
Position: City Solicitor
Tel: 0161 234 3087
E-mail: f.ledden@manchester.gov.uk

Name: Helen Seechurn
Position: Interim Deputy City Treasurer
Tel: 0161 234 1017
E-mail: helen.seechurn@manchester.gov.uk

Background documents (available for public inspection):

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

Executive – 20 January 2021 - Provisional Local Government Finance Settlement 2021/22

1. Introduction

1.1. The economic impacts of COVID-19 are profound and will fundamentally change the financial landscape for years to come. There has already been a huge impact on residents, businesses and the economy, as evidenced through data on health inequalities, employment and furlough trends, retail performance and footfall. There have been significant additional costs faced by the Council in supporting residents through the pandemic, and an associated reduction in budgeted income. The latest position is set out in the Period 9 Global monitoring report elsewhere on this agenda.

1.2. Prior to COVID-19 there was an underlying budget gap of c£22m for 2021/22 rising to c£80m by 2024/25. This was a result of cost pressures including inflationary increases and demography. This was to be addressed in the Medium-Term Financial Planning process. There has been a significant financial impact from the COVID-19 pandemic, which is in addition to this underlying gap.

1.3. It was expected that there would be a national spending review in 2020, resulting in a new multi-year settlement from 2021/22. However due to the COVID-19 pandemic this did not happen, and a further one-year spending review was announced on 25 November 2020. The provisional Local Government Finance Settlement 2021/22 was released on 17 December 2020. The final Finance Settlement was announced on 4 February and made no changes for Manchester.

1.4. As reported to Executive 20 January 2021 the settlement recognised the COVID-19 pressures continuing to impact on next year and announced additional emergency funding and support for losses in local tax collection. There are also additional resources through the continuation of New Homes Bonus and increased Social Care Grant, alongside increased referendum limits for Council Tax increases. The additional funding announced, alongside the proposed savings options of £41m will enable a balanced budget to be delivered in 2021/22.

1.5. The Medium-Term Financial Plan and Capital Strategy have been updated to reflect the 2020/21 budget position and the current and anticipated financial impacts of the COVID-19 pandemic. 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 remains no longer term solution beyond 2021/22.

1.6. The Our Manchester Strategy ambitions, and Corporate Plan are the touchstone for decisions taken about what to prioritise and set the framework for the Medium Term Financial and Capital Strategies.

1.7. There continues to be progress in growing the Manchester economy however 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.

1.8. The report elsewhere on the agenda 'Revenue Budget 2021/22' sets out the position in more detail. The Directorate Budget Reports include the detail on the savings proposals and budget pressures.

1.9. This report sets out the strategic and statutory context for setting the budget including:

- The Our Manchester Strategy
- Progress to date on delivering the Our Manchester Strategy, building on the recent State of the City analysis
- The Corporate Plan
- 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. The Our Manchester Strategy

2.1. The priorities for the city are set out in the Our Manchester Strategy. In May 2020, the Executive agreed for a reset of the Our Manchester Strategy 2016 - 2025 to be undertaken as part of the Council's COVID-19 recovery planning. The Our Manchester Strategy was developed in 2015 and launched in 2016 as the city's overarching 10-year vision.

2.2. Over the first five years of the Strategy, Manchester has made significant progress against some of its aims. However, some challenges remain, and the city now finds itself in a very different place due to the impact of COVID-19. Whilst the strategic objective for Manchester to be in the top flight of world class cities by 2025 remains, it is necessary to reset the Strategy's priorities for the next five years, acknowledging but looking beyond the current challenges to ensure we can still achieve our ambition for the city. A mixed methods approach to the reset has been undertaken, including considerable engagement activity with over 3,800 people to establish key priority themes.

2.3. The reset has been overseen by the Our Manchester Forum, a partnership board of 40 leaders from Manchester's public, private and voluntary sectors from across the city who oversaw the creation of the original Strategy in 2015 and have been monitoring its implementation.

2.4. A draft of the reset, *Our Manchester Strategy – Forward to 2025,* was presented to the Council's six Scrutiny Committees in January and the final version is elsewhere on this agenda to be recommended for adoption by Full Council in March 2021.

2.5. To achieve our vision, our communities want to see a renewed focus on:

- Our young people - providing investment, support, opportunity and hope for the future of the city
- Our economy - fulfilling opportunities for our residents to create and attract a talented, globally competitive and diverse workforce
- Our health - tackling physical and mental inequalities and ensuring fair access to integrated services
- Our housing - creating a choice of housing in liveable neighbourhoods across all of the city
- Our environment - pioneering zero carbon solutions and improving green space
- Our infrastructure – active, integrated, affordable and green transport system and improved digital connections

2.6. The above has been reflected in the refreshed Corporate Plan.

3. Progress on Delivering the Our Manchester Strategy

3.1. The reset Our Manchester Strategy retains the original Strategy's five themes, with the new priorities streamlined under them. Progress will continue to be annually reported in the State of the City report. The following section is structured in terms of the five themes of the Strategy:

- A Thriving and Sustainable City
- A Highly Skilled City
- A Progressive and Equitable City
- A Liveable and Low Carbon City
- A Connected City

A Thriving and Sustainable City

3.2. Manchester's population has continued to grow over the past year with an estimated 579,600 residents in 2020[1] , projected to reach upwards of 666,900 by 2030. According to the ONS 2019 mid-year estimates the city's population has grown twice as fast as the national rate from 2018-2019. This growth has been concentrated in and around the city centre and particularly strong amongst 25-39 year olds. International migration continues to be a key driver of the city's growing population. However, there are significant uncertainties for how this will be affected by the UK existing the European Union, including impacts on key sectors of the economy, such as social care and hospitality.

3.3. Manchester's ambitions for a strong recovery from COVID-19 are set out in the city's *Powering Recovery: Manchester Economic Recovery and Investment Plan* published in November 2020, including support for key sectors and business case propositions. The Council is working with key partners and with Government to implement the plan. This builds on the priority of developing a more inclusive economy set out in the 2019 '*Developing a More Inclusive Economy – Our Manchester Industrial Strategy'*.

[1] MCC Forecasting Model W2020

3.4. Manchester's economy was on a strong and consistent trajectory of growth prior to the economic impacts of COVID-19 from March 2020. The numbers of jobs and businesses in the city had both grown significantly since 2015. Employment in the city had risen by 15% since 2015, reaching 410,000 in 2019. The city continued to diversify its economy towards knowledge-intensive sectors, with a fifth of the workforce employed in the financial, professional and scientific sectors. Pre-COVID, the sectors with high recent growth included business, finance and professional services; science, and research and development; cultural, creative and digital sectors; and wholesale and retail. COVID-19 is now dramatically changing the economic landscape of the city, with sectors such as digital and construction proving resilient, and significant challenges to overcome in the hospitality, retail, leisure, culture and tourism sectors.

3.5. Major developments in the city centre include Mayfield, St John's, The Factory, 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.

A Highly Skilled City

3.6. 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.

3.7. There remains a significant gap between resident and workplace wages, representing a real challenge to achieving a more inclusive economy. In 2019, an estimated 13.1% of employees working in Manchester were paid less than the Living Wage Foundation's Real Living Wage of £9.00 an hour. For employees living in Manchester, that percentage was estimated to be 21.8%. Progress is being made with that proportion reducing in recent years and the gap between resident and workforce closing.

3.8. There is a direct link between low wages and low skills. Manchester has a higher than national average proportion of residents qualified to degree level and above. However, an estimated 10.7% of our residents had no qualifications in 2019. This has improved since 2015 (12.4%) and very significantly improved since 2005 (25%), but still higher than the national rate of 7.5%. An example of progress being made is that Manchester now has 95 accredited Living Wage employers headquartered in the city, including Manchester City Council. The Council is also supporting The Manchester College to provide a city centre campus that will support residents to achieve the skills required to match the jobs being created.

3.9. Improving the education and attainment of young people is key to making longer-term progress towards a more inclusive economy. After a number of years of sustained improvement, primary schools have seen a slight dip in attainment outcomes, with the percentage of pupils achieving the expected standard in combined reading, writing and maths at Key Stage 2 reducing from 62% in 2018 to 61% in 2019, compared to the national average of 65%. However, the Key Stage 1 to 2 progress made by Manchester pupils in reading, writing and maths in 2018/19 was statistically significantly above the national average. At Key Stage 4, compared to the national average, Manchester still has a lower number of pupils achieving GCSEs in English and Maths, and the English Baccalaureate, and a lower Attainment 8 score and Progress 8 level. Through strategic partnership working, there is a continued focus on bringing all outcomes for Manchester children at all levels of education to be at least in line with national results, including a particular focus on closing the gap between boys and girls, ensuring pupil progress stays above national average, and continuing work on improving outcomes in reading.

3.10. The number of schools judged to be good or better has improved significantly in recent years and is now above the national average for both primary and secondary schools, with 90% of Manchester schools judged to be ‘Good’ or better in August 2020. The closure of schools due to COVID-19 has hugely affected young people in the city. Despite remote learning and home schooling, there are likely to be attainment setbacks in future years.

3.11. Work is taking place to ensure that education and training is aligned with the skills needed by businesses in and around the city. As outlined below, digital exclusion is a significant issue, with estimated at least 27,000 adults digitally excluded for a variety of reasons. Employers continue to report significant digital skill shortages in the city; this has been highlighted with the increased need for digital activity during COVID-19. A number of projects are in place to tackle digital exclusion issues. 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.

A Progressive and Equitable City

3.12. Manchester’s aspires to be a truly equal and inclusive city, where everyone can thrive at all stages of their life and can quickly and easily reach support to get back on track when needed. Inclusion and equality were consistently a top priority for respondents to the Our Manchester Strategy reset engagement activity.

3.13. Despite the strong progress made connecting more Manchester residents to the opportunities of economic growth in recent years, COVID-19 has exacerbated existing inequalities in the city in terms of the economic and social impacts, as well as health impacts. The claimant count of Manchester residents out of work and claiming benefits doubled between March and August 2020. Young people aged 16-24 and older people aged 50+ have been disproportionately affected, as have those from Black, Asian and Minority Ethnic backgrounds, and people with disabilities. Over 62,000 residents were furloughed and over 16,000 were in receipt of self-employment support (equivalent to one-third of our working age population) at the worst of the pandemic.

3.14. Poverty is a very significant issue across the city. Over 45,000 Manchester children are living in poverty, after housing costs are considered, which is an increase of more than 10,000 since 2015. While the city's Family Poverty Strategy is taking some practical steps to mitigate the effects of poverty, the drivers are national welfare reforms, and national Government decisions to make ten years of cuts to public services and the voluntary and community sector. Digital exclusion is also linked to poverty; for example, the affordability of purchasing broadband at home and data on mobile devices presents a hurdle.

3.15. Manchester's vision is for children and young people to have a safe, happy, healthy and successful future. Strong progress has been made to improve Children's Services in recent years, and there has been a significant reduction in referrals made over the last two years due to improvements in partnership working across the city. However, there is still a high number of Looked After Children in the city, with poor outcomes for many, despite improvements in the offer for Care Leavers. Children's Services continues to be an area of significant budget pressure for the Council.

3.16. 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. Rates of premature death from cancer, heart and lung diseases are amongst the highest in the country. Healthy life expectancy is below 58 years for men and women. 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. Some recent improvements have been made, including earlier diagnosis of more cancer cases and significant reductions in smoking during pregnancy. However, COVID-19 has reinforced existing health inequalities in Manchester and nationally, with particularly high rates of deaths among Black, Asian and Minority Ethnic communities.

3.17. The Our Healthier Manchester Locality Plan was originally produced in 2016 and has recently been refreshed, setting the ambition to significantly improve outcomes for residents and reduce health inequalities within a financially sustainable system. Plans are now being developed to significantly accelerate integration of health and social care, including 'supercharging' of the Manchester Local Care Organisation. The city's health and social care infrastructure has been hugely challenged by the pressures of COVID-19, but there have also been significant improvements made to how health and social care teams work together that will help to advance integrated working in future.

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

3.18. Manchester has experienced an increase in homelessness presentations over the last five years, as per national trends. 2,178 households were in temporary accommodation in March 2020 compared to 406 in March 2015, and by December 2020 this figure had risen to 2,446 households. Welfare reforms have affected many families and single people, alongside high levels of demand for social housing in the city and a lack of good quality, affordable private rented sector housing. The Council's homelessness services have successfully prevented 1,178 individuals and families becoming homeless during 2019/20, and a further 542 individuals and families between April and December 2020 through a range of interventions.

3.19. During COVID-19, the 'Everyone In' initiative provided safe and supported accommodation for over 330 people who had been sleeping rough in the city. Using funding from the Rough Sleeper Initiative in 2019/20, 1,278 people were relieved from rough sleeping in Manchester and a further 525 people avoided rough sleeping due to effective prevention. The 2020 single-night snapshot of people sleeping rough counted 68 people in Manchester, compared to 123 in 2018. This represents a decrease of 45% and provides some evidence of positive outcomes from the ongoing work of the homelessness service and partners in the city to tackle rough sleeping and move people away from a street lifestyle.

A Liveable and Low Carbon City

3.20. Manchester's future success is dependent on the city being a great place to live and visit. 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. This will be brought together in the development of the next Manchester Local Plan which is currently under way. 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.

3.21. The housing pipeline is continuing to deliver new homes at scale across the city with over 4,100 new homes completed in 2019/20 (up from c.3,000 in 2018/19), more than in any London borough. An additional 4,000 new homes are expected to be completed in 2020/21. This success is expected to continue with investment in the Northern Gateway (a joint venture between the Council and the Far East Consortium) 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, 20% of which will be affordable.

3.22. The Residential Growth Strategy includes a housing growth target of 32,000 new homes between April 2015 and March 2025, including a minimum of 6,400 affordable homes. In total, over 13,200 new homes have been built since 2015/16, including 1,519 affordable homes. A further 9,939 are currently under construction, including 867 affordable homes.

3.23. Manchester has world class galleries, museums and cultural venues, many of which are supported directly and indirectly by the Council. Our cultural offer attracted substantial numbers of visitors prior to COVID-19. Manchester Central Library was the most visited UK public library in 2019/20 with over 2 million visits. HOME and Manchester Art Gallery each received over 750,000 visitors in the year. An example of how the city's institutions have changed their offer in response to COVID-19 can be seen in the 60% increase in online library lending since March 2020.

3.24. In November 2018, following analysis by the Tyndall Centre for Climate Change Research, the Council adopted a science-based carbon budget for Manchester of 15 million tonnes of CO2 between 2018 and 2100, and committed the city to becoming zero carbon by 2038 at the latest. The Council declared a Climate Emergency in July 2019 which recognised the need for the Council, and the city as a whole, to do more to reduce CO2 emissions and mitigate the negative impacts of climate change. It also demonstrated the Council's commitment to be at the forefront of the global response to climate change and to lead by example.

3.25. The Council's Climate Change Action Plan 2020-25 was developed to ensure that all aspects of the Climate Emergency Declaration were converted into clear actions with tonnes of CO2 savings included where applicable. The Plan builds on over a decade of previous activity which has seen the Council's direct CO2 emissions reduce by 54.7% between 2009/10 and 2019/20. A report to Neighbourhoods and Environment Scrutiny in February 2021 outlines the progress made to date and the challenges ahead; the paper can be accessed here: https://democracy.manchester.gov.uk/ieListDocuments.aspx?CId=148&MId=3393&Ver=4

A connected city

3.26. An integrated, attractive and affordable transport network is needed to enable residents to access jobs and stay healthy through active travel. Prior to COVID-19, there had been increased use of public transport for travel, including a 73% increase in Metrolink trips and 13% increase in rail trips between 2015 and 2019. During that period, there was a 9% reduction in trips made by car and a 50% increase in cycling trips into the city centre. These developments will be further supported by the new City Centre Transport Strategy, the Greater Manchester Transport Strategy 2040, and the *Climate Change Action Plan 2020 - 2025*. While usage levels have been down by as much as 95% at certain points during COVID-19, these are expected to recover effectively as the country emerges from lockdown restrictions later this year. COVID-19 has seen an increase in journeys made by walking and cycling; respondents to the Our Manchester Strategy engagement activity stressed the importance of this being sustained in the future.

3.27. Air quality has substantially improved during the lockdown period, including reductions of up to 75% in travel volumes and emissions of NO_2. The Greater Manchester Clean Air Zone Plan aims to accelerate emissions reductions associated with transport, including encouraging users to switch to less polluting vehicles.

3.28. Manchester Airport is a key asset for the future growth of the city and the wider Greater Manchester, North West region and beyond. The Airport received 11.6 million more passengers in 2019 (29.4 million in total) compared to 2010, and its future growth is being supported by a £1 billion transformation programme. Reducing carbon emissions associated with the airport is built into the Climate Change Action Plan 2020 - 2025. COVID-19 has had a devastating impact on the UK's aviation sector since March 2020; the Council has supported the Airport to continue to function and work towards an effective recovery in 2021.

3.29. Digital connectivity continues to improve for residents and businesses. However, there is still a need to increase broadband coverage and deliver full fibre to premises across Manchester at a faster pace to secure the city's status as a leading digital centre. Digital exclusion remains a significant challenge for many, partly due to digital infrastructure issues, as well as digital skills and affordability.

4. Corporate Plan

4.1. Our Corporate Plan priorities have been refreshed for 2021-22 to align with the reset of the Our Manchester Strategy and to further strengthen the Council and city-wide focus on the importance of Equality, Diversity and Inclusion. The plan also reflects the priorities for the Council's internal transformation, including new work on the Future Shape of the Council that will support the delivery of future budget savings and managing pressures.

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

Theme	Priority
1. 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*	Support the citywide Climate Change Framework 2020-25 including the Council's roles in reducing citywide CO_2 emissions and improving air quality
	Deliver activities to reduce the Council's own direct CO_2 emissions by at least 50% by 2025, as set out in the Manchester Climate Change Action Plan 2020-25
2. Growth that benefits everyone *Boost the city's productivity and create a more inclusive economy that all residents participate in and benefit from, and contributing to reductions in family poverty, as set out in*	Deliver the Economic Recovery Plan, supporting the protection and creation of good-quality jobs for residents, enhancing skills, and effective pathways into those jobs. Includes support to Manchester's residents affected by challenges to the international, national and local economy.
	Facilitate economic growth and recovery in different sectors of the economy, which supports the creation of a more inclusive economy.

the Our Manchester Industrial Strategy	Support residents in order to mitigate the impact of poverty and take actions to reduce the number of people experiencing poverty, in particular given the effects of COVID-19. Including young people, older people, BAME groups and people with disabilities
3. 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*	All children to have access to a high-quality education, which is provided in an inclusive way. Children's school attendance to be achieved and sustained at or better than historic levels.
	Support more Manchester children to have the best possible start in life and be ready for school and adulthood. This includes ensuring that the voice of children and young people is heard, and that they have access to youth, play, leisure, and cultural opportunities.
	Reduce number of children needing a statutory service.
4. 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*	Take actions to improve population health outcomes and tackle health inequalities across the city.
	Support the next phase of health and social care integration in the city, including plans to supercharge Manchester Local Care Organisation.
	Enable delivery through the MLCO of the Adult Social Care transformation programme – 'Better Outcomes, Better Lives' – focused on taking a strengths-based approach, supporting independence, building on the ASC improvement programme and embedding this into the MLCO Operating Model.
	Reduce the number of people becoming homeless and enable better housing and better outcomes for those who are homeless
5. Housing *Ensure delivery of the right mix of good-quality housing so that Mancunians have a good choice of quality homes*	Support delivery of significant new housing in the city, including through an effective recovery from COVID-19.
	Ensure inclusive access to housing by the provision of enough safe, secure and affordable homes for those on low and average incomes. This includes strategically joining up provision, and the improved service to residents enabled by direct control of Council owned housing in the north of the city.
6. Neighbourhoods *Work with our city's communities to create and maintain clean and vibrant neighbourhoods that Mancunians can be proud of*	Enable all our diverse neighbourhoods to be clean, safe and vibrant.
	Embed neighbourhood working across the whole Council and our partners, and deliver services closer to residents.

7. 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, whilst increasing walking and cycling.
	• Facilitate the development of the city's digital infrastructure, to enable delivery of transformed public services and a more economically inclusive and resilient city.
8. Equality *Deliver on our equality, diversity and inclusion commitments to support Manchester's vision to be a progressive and equitable city.*	• Work together with Manchester's citizens and our partners to understand our diverse communities, improve life chances, and celebrate diversity.
	• As an employer, ensure a fair and inclusive working environment which recognises, values and responds to the dynamics and opportunities of a diverse workforce.
9. Well-managed council *Support our people to be the best and make the most of our resources*	• Delivery of the Future Shape of the Council change programmes, along with budget reductions and savings.
	• Effectively manage our resources, via budget management and planning, support to managers and performance management.
	• Carry out the work required to transform our Corporate Core.

4.3. The Single Council Business Plan 2021/22 describes in more detail the action being taken to deliver the Corporate Plan. The plan is structured around the eight priority themes above and has been produced following the development of 41 service plans which describe in more detail the achievements, priorities and activities of the services which collectively make up Manchester City Council. The plan also describes the Council's key workforce and technology considerations for 2021/22 as key enablers to delivering our Corporate Plan, Equalities implications and the approach to risk management.

5. Financial Context

5.1. The Council's net revenue budget is funded from five main sources which are Business Rates, Council Tax, government grants, dividends and use of reserves. In recent years as central government funding has reduced and business rates retention has been introduced. The ability to grow and maintain the amount of resources raised locally has become even more important for financial sustainability and is integral to the Council's financial planning.

5.2. The budget for 2021/22 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.

5.3. From 2010/11 to 2021/22 the Council's Spending Power (as defined by government) has reduced by £129m (21%) compared to an England average reduction of 7%. The drop in spending power per head, (based on the ONS 2019 Mid-Year Estimate population data), is £234 per head (compared to an England average reduction of £71 per head).

5.4. Manchester and similar authorities were disproportionately impacted by the central government grant cuts due to the methodology applied pre 2016/17 which did not take account of the ability to raise council tax penalising local authorities with a low council tax base who are more dependent on government grant funding. Manchester has over 90% properties in council tax bands A-C which constrains the ability to raise funds from this source. If between 2010/11 and 2021/22 Manchester had had the average level of funding reductions it would now have c£85m more a year available.

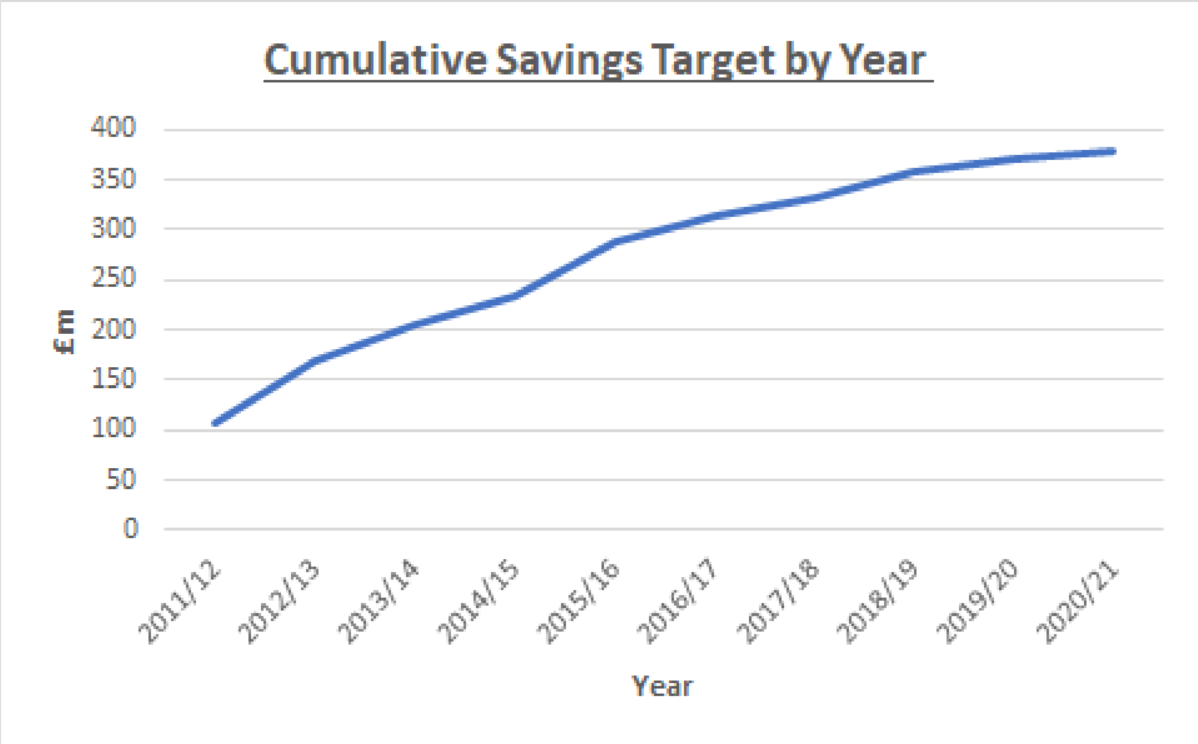
5.5. At the national level the settlement proposals confirm an increase in Core Spending Power (CSP) for local authorities of 4.6% (£2.2bn). The stated increase for Manchester is 5%. Core Spending power is the Government's preferred measure of the resources available to Councils. It should be noted the Core Spending power assumes all Council's take up the maximum Band D increases, and that tax base growth in line with average (by LA) since 2016/17.

Impact on Council finances

5.6. This has resulted in required budget cuts of £379m from 2010/11 to 2020/21 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 1: Savings target by year

	2011/12	**2012/13**	**2013/14**	**2014/15**	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**	**2020/21**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Savings Planned	107	61	36	30	55	26	17	25	15	7	**379**



5.7. Prior to the COVID-19 pandemic the growth in the City was starting to generate significant additional revenues. In order to become more resilient and self-reliant the Council has adopted an approach through its strategic planning to maximise the revenues available to it. These include:

- **Business Rates -** Manchester has been part of a business rates 100% retention pilot since 2017/18 and it has been confirmed this will continue for 2021/22. This means that the Council retains 100% of the additional business rates growth achieved since the start of the Business Rates Retention scheme in 2013. Additional retained growth to date was £10.4m in 2017/18, £9.8m in 2018/19 and £9.7m in 2019/20. Additionally, there was a £6m return from GMCA in 2018/19, and £4.8m for 2019/20. A further £3.9m return is proposed for 2020/21 (subject to GMCA approval at its meeting on 12 February) which has been made available to support the budget next year.

- **Council Tax -** The success in encouraging housing growth, particularly in the City Centre, has seen an average growth in the council tax base of around 3% a year 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. The impact of the COVID-19 pandemic is still evolving however demand for housing in the city continues to be strong. The temporary closure of construction sites last spring initially disrupted development however the impact was temporary, and all major residential developments are back on site, albeit many are working to extended timetables.

- **Investment Income -** The Council has always been prudent in accounting for dividends and has limited share holdings. The shareholding in Manchester Airport Group has allowed significant regeneration, both directly in the south of the city, but also across the city region. Where Council's have such long-term, well established interests, the dividend inevitably forms part of the revenue base and therefore any market changes, such as COVID-19, which impact on the dividend income have a subsequent impact on the Council's financial position. This is not irresponsible or speculative investment and should not be considered as such when the government is supporting income losses. A regional thriving Airport is vital to the "levelling up" of Greater Manchester and beyond.

- The Council's investments generated dividend income of £71m in 2019/20 (predominantly but not exclusively from the Airport), this is not expected to resume until at least 2023/24. Proceeds from loans to the airport advanced in 2018/19 and 2020/21 are contributing a net £12m each year to support the revenue budget. Net income from the commercial estate is budgeted at c£12m per annum, the majority of this is considered secure.

Update on the Finance Settlement and the Three-Year Financial Position

5.8. As stated above, prior to Covid-19 there was an underlying budget gap of c£22m for 2021/22 rising to c£80m by 2024/25. In July this year, there was a forecast budget gap of £162.5m for 2020/21 which was reported to the Executive. This incorporated the underlying budget shortfall and the impact of COVID-19, partially offset by the £22.4m measures agreed in year to support the budget position. These included the use of income returned from the GMCA, in year savings measures and using interest from loans such as to Manchester Airport Group to support the revenue budget position.

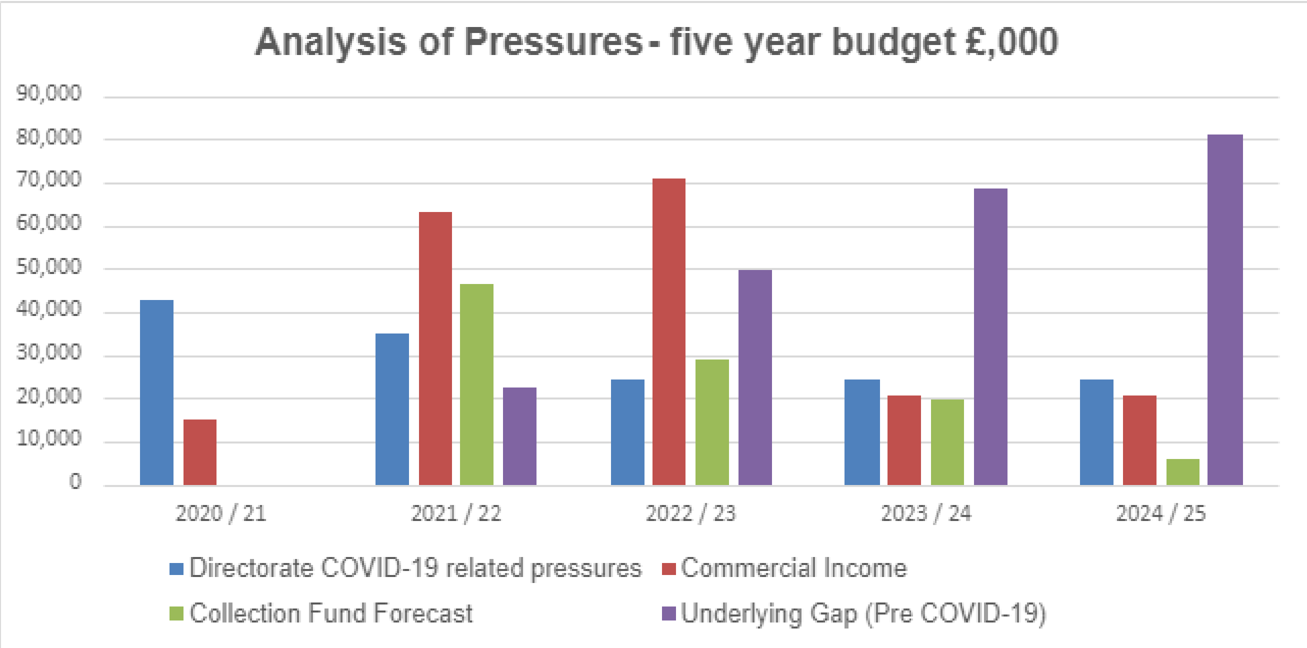
5.9. The impact of COVID-19 is set out in detail in the Council's Global Monitoring Report and included in the 2021/22 Revenue Budget Report. The latest return to MHCLG submitted in January summarises the position, prior to any government support, as follows:

Table 2: Summary of COVID-19 Impact across 2020/21 and 2021/22 (excluding funding announcements)

	2019/20 £'000	2020 / 21 £'000	2021/22 £'000
Additional Costs (MCC only)	**389**	**23,235**	**25,532**
Income:			
Loss of Income (MCC only)		140,812	111,677
Adjustment for element of airport dividend not budgeted to use in year		(55,809)	(8,729)
2020/21 Council Tax and Business Rates shortfalls impact a year in arrears		(41,449)	13,816

	2019/20 £'000	2020 / 21 £'000	2021/22 £'000
*2020/21 Council Tax shortfall relating to 2019/20 deficit impact a year in arrears**		(3,072)	3,072
Bus Lane and Parking Income - impact on reserves capacity		(5,757)	(1,430)
Budget impact of lost income	**0**	**34,725**	**118,406**
Total Costs and Net income losses	**389**	**57,960**	**143,938**

5.10. The graph below neatly summarises the combined financial challenge faced by the Council over the period 2020-25.



5.11. The pressures are presented over four blocks as follows:

- Purple bar – the underlying local authority budget pressures of c£22m for 2021/22 rising to c£80m by 2024/25.
- Blue bar - the forecast additional ongoing directorate C19 costs and income losses. For 2021/22 the cost are estimated at c£25.5m including the impact on Adult Social Care (£13.5m), Homelessness (£6.8m) Children's Services (£3.8m), Leisure £1.2m and Core £0.2m. Additionally there is c£9.2m anticipated from loss of sales fees and charges income (£5.4m) and investment income £(2.7m)
- Red bar - the loss of commercial income, in particular dividend income generated through our economic approach for regeneration.
- Green bar - shows the forecast impact on council tax and business rates which is expected to be a pressure over the five years.

5.12. The Finance Settlement contained measures which significantly improved the budget position and provided additional funding to support COVID-19 related costs and loss of sales fees and charges and collection fund income. However, they did not provide any support for the loss of commercial income and the Council is having to make significant budget cuts in 2021/22. The Spending Review measures can be summarised as follows:

- **Headline measures**
  - Confirmation that the national **Core Spending Power (CSP)** will increase by 4.6% (£2.2bn).
  - The CSP assumes maximum Band D increases, and tax base growth in line with average (by LA) since 2016-17.
  - **Settlement Funding Assessment** (SFA) increases by £13m – i.e. by the inflationary increase in Revenue Support Grant.
  - **New Homes Bonus** (NHB) allocations of £622m will be made in 2021-22. There is no NHB Returned Surplus in 2021-22. The Government is inviting views on a replacement for NHB (where housing most needed, where councils most ambitious).
  - **£111m lower tier services grant**. Distribution is based on the SFA but also includes an element that ensures “no council will have less funding available in 2021-22 than 2020-21”.
  - **£300m grant for Children's and Adults social care**, allocations have been equalised for each authority’s ability to generate income from the ASC precept (limited to £240m). All other social care grant funding in 2020-21 continues unchanged into 2021-22.
  - **£1.55bn Tranche 5 COVID-19 funding –** Allocated based on the COVID RNF which was developed for Tranche 3

- **Collection Fund:**
  - Confirmed **Band D council tax** - 2% council tax referendum limit, 3% ASC precept.
  - **Local Council Tax Support grant (£670m)** is a new grant outside core settlement which will fund authorities for the expected increase in local council tax support payments in 2021-22 (£5.7m). This is supporting Council's bottom line to compensate for reduced levels of Council Tax. Can also be used to provide further targeted support to those unable to pay.
  - **Local Tax Income guarantee scheme** – 75% support scheme methodology announced.

- **Other Announcements:**
  - **Homelessness Prevention Grant -** this replaces Flexible Housing Support Grant and the Homelessness Reduction Grant, allocations totalling £310m 2021/22 were announced 21 December 2020
  - **Pay Awards** - Pay freeze announced in the Spending Review alongside the lower than expected increase to the National Living Wage
  - £165m is available for troubled families programme.
  - £15m has been allocated to implement the **Redmond Review**.

- The Government will seek to find a new consensus for broader reforms for local government (including BRRS and FFR) when the post-COVID future is clearer.

5.13. The expected impact of the settlement on the council's budget was estimated at £58.9m next year, as reported to Executive 20 January 2021. Since then, the collection Fund position has been finalised and the estimated receipt for the Local Tax income guarantee scheme updated. The total impact on budget is now estimated at £58.7m as shown in Table 3 below.

Table 3: Spending review - impact on budget

	2021 / 22 £'000	2022 / 23 £'000	2023 / 24 £'000
Spending Power Changes:			
Revenue Support Grant inflation	320	320	320
Business Rates Adjustments	752	1,100	1,056
New Homes Bonus Scheme	4,104	0	0
Lower Tier Services Grant	1,236	0	0
One off COVID-19 support:			
COVID-19 Emergency funding - Tranche 5	22,229	0	0
Collection Fund Announcements:			
Local Council Tax Support grant	5,709	0	0
Local Tax Income guarantee scheme	10,288	10,288	10,288
Continuation of the 100% Business Rate Pilot	5,131	0	0
Other Announcements:			
Remove pay award assumption in 2021/22	6,403	7,702	8,502
Reduced contract cost of min wage	2,529	3,558	3,012
Total Impact on council budget	**58,701**	**22,968**	**23,178**

5.14. In addition to the above there is £11.3m of Social Care resources including £5.1m from the 3% ASC Precept, and £6.2m one-off social care grant, which are assumed to go into the Pooled Fund, aside from £0.3m which will support Childrens services.

5.15. Without any further savings or actions this would leave a budget deficit of £46m in 2021/22, rising to £92m from 2022/23.

Strategy for Delivering a Balanced Budget

5.16. 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.

5.17. Underpinning the budget strategy is a prudent approach to investment income and the use of fortuitous or one-off grants and income received. This has been used to support investment in key services over a longer time frame to avoid sudden budget cliff edges in funding leading to the requirement to make budget cuts. Key to this has been:

- Income from the 100% Business Rates Growth Retention Pilot and one-off grant funding has been smoothed other typically a three-year period to enable on going investment into core services such as social care.

- Loan interest received has been used to directly offset the costs of borrowing, with any additional income used to establish a Capital Financing Reserve as part of the capital fund. The ambitious capital programme, including the refurbishment of Our Town Hall as well as the need to deliver priorities such as the affordable housing strategy will require additional borrowing of £915m over the next three years. The Capital Financing Reserve will be deployed to ensure there are no additional pressures on the revenue budget as a result of this activity.

- 67% of airport dividend income is used a year in arrears with a further 12% used two years in arrears. Smoothing reserves are also in place to support volatile income such as planning fees. These measures are designed to withstand economic shocks and recessions.

- Risks are regularly reviewed, and mitigations put in place. As an example, an additional risk reserve has been created to mitigate against the potential impact of Brexit.

5.18. However, the above has not been sufficient to deal with the impact of COVID-19 and further action is required to deliver a balanced budget in 2021/22 and to place the Council on a more sustainable footing over the three-year period. The proposed approach is as follows:

- To use the balance sheet risk reserves to smooth the underlying budget position and remove the ongoing financial impact of COVID-19 experienced in 2021/22 and 2022/23. The planned use of the airport dividend reserve in 2023/24 will reduce the spike in the budget deficit seen in that year.

- To deliver a significant programme of budget cuts. These been weighted towards the Corporate Core in order to protect front line services where possible. A programme of £50m cuts has been agreed over the three years. The level of budget cuts to be delivered in 2021/22 have now been reduced from £50m to £40.7m with the use of the proposed 3% social care precept and social care grant to reduce the target budget cuts for Adult Social Care. The budget proposals first went to Scrutiny Committee for consideration in November 2020 and are now out to Consultation as part of the Council's Budget Consultation which opened on 20 January.

- To instigate a major whole Council transformation programme which will take into account the impact of COVID-19, significant planned changes in health and social care and the overall financial position. This will have the objectives of improving the council's longer-term resilience, providing a framework for future cuts decisions, changing and modernising how we work and improving outcomes for residents. A report setting out this work is due to come to March Executive.

- The further planned use of reserves to support the budget position and mitigate any future budget risks.

5.19. Table Four below sets out the budget gap after the Finance Settlement and proposed budget cuts. Table Five beneath sets out the draft budget position.

Table 4 Budget Position Post Settlement

	Revised 2020 / 21 £'000	**2021 / 22 £'000**	**2022 / 23 £'000**	**2023 / 24 £'000**
Original Gap (pre COVID)	0	22,554	49,508	68,714
COVID-19 Budget impact of Additional Costs and Net income losses	57,960	143,938	123,759	64,639
Gross Underlying Gap (inc Covid-19)	**57,960**	**166,492**	**173,267**	**133,353**
COVID-19 Emergency Funding - Confirmed	(64,782)	0	0	0
COVID-19 Sales, Fees and Charges grant - forecast	(10,200)		0	0
Savings, mitigations and other changes	(18,205)	(2,327)	(1,941)	(1,503)
Corporate measures	0	(55,382)	(17,897)	(16,102)
Reprofile use of reserves to part offset loss of income impacting future years	34,835	(11,803)	(11,516)	(11,516)
Budget position pre-Spending Review	**(392)**	**96,980**	**141,913**	**104,232**
Spending Review / settlement	0	(58,701)	(22,968)	(23,178)
COVID-19 Sales, Fees and Charges grant - forecast		(4,481)		

	Revised 2020 / 21 £'000	2021 / 22 £'000	2022 / 23 £'000	2023 / 24 £'000
Reprofile use of reserves to part offset loss of income impacting future years	392	11,803	(23,711)	11,516
Budget position after Spending review	**0**	**45,601**	**95,234**	**92,570**
Savings Proposals	0	(40,717)	(45,537)	(48,409)
Savings target being met by ASC precept and Social Care Grant	0	(8,700)	(5,077)	(5,077)
Reprofile use of reserves to part offset loss of income impacting future years		3,816	(3,816)	0
Forecast revised budget gap	**0**	**0**	**40,804**	**39,084**

5.20. The resulting three-year budget position is set out in the table below.

Table 5 Three year budget position

	Proposed 2021 / 22 £'000	2022 / 23 £'000	2023 / 24 £'000
Resources Available			
Business Rates Related Funding	155,537	304,726	314,678
Council Tax	176,857	186,145	195,813
Grants and other External Funding	120,243	64,040	55,957
Dividends	0	600	50,600
Use of Reserves	184,667	53,423	14,380
Total Resources Available	**637,304**	**608,934**	**631,428**
Resources Required			
Corporate Costs:	112,363	112,760	113,452
Directorate Costs:	524,941	536,978	557,060
Total Resources Required	**637,304**	**649,738**	**670,512**
Shortfall / (surplus)	**0**	**40,804**	**39,084**

5.21. It should be noted that considerable uncertainty remains beyond 2021/22. In particular, the fact the current Finance Settlement and Spending Review are for 2021/22 only, the main sources of local authority funding in business rates and council tax are volatile and the potential reforms to local authority funding. These are outlined below.

5.22. There is no certainty over either the quantum or distribution of local government funding after 2021/22. In 2021 the Government plans to carry out a Spending Review, there is no detail on the timeline, process or time period that the review will cover. The Spending Review sets the quantum of funding available for local government whilst the Finance Settlement sets out the distribution to individual local authorities.

5.23. The main funding streams available to local authorities are outdated and no longer fit for purpose. Calls are increasingly being made by the business sector to reform business rates. This income made up over half of the council's original net budget for 2020/21 and is increasingly volatile, reducing due to the economic situation as well as appeals and business reliefs being provided to support certain business sectors.

5.24. The potential reforms to local government finance could be the most significant changes to the funding of local authorities since 2013-14 when the business rate retention system was introduced. There is some intelligence around the changes the government plan to make however there is no certainty around impact; whether they will be implemented in 2022/23; or, deferred further due to lack of capacity in government.

5.25. The main funding reforms delayed from 2019/20 and potentially being implemented in 2022/23 include:

- Fair Funding Review - Reviewing the funding formula that determines settlement funding allocations for each local authority. This will give each authority an updated ‘needs assessment’. The current drivers were last updated in 2013 and whilst the review is long overdue, it could lead to significant redistribution of available funds. The outcome for the council is impossible to predict as it is dependent on a complicated interaction of factors including whether deprivation factors will continue to form a key part of the funding formula. It is expected that there will be time limited transition funding. However, at this stage, the Government is yet to announce its formal proposals.
- The government intends to carry out a full business rates reset to adjust baselines according to ‘need’. This could have a significant re-distributional effect on business rates income. Re-setting business rates baselines in 2022-23 in a sustainable way would be made even more difficult as income is unlikely to have settled following the pandemic.
- There were plans to introduce 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.
- The business rates revaluation is due in 2023.
- The New Homes Bonus incentive is due to end in 2021/22 with the consultation expected on its replacement.

5.26. 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.
- The lack of a sustainable funding solution for adult social care - There is still no clear indication of the government’s plans. There is no certainty on the future of the various social care grants including the £30.8m for the Improved Better Care Fund (incorporating winter pressures) and £23.9m Children’s and Adults Social Care Support Grant. The pressures on adult social care will be increased by the ongoing impact of COVID-19. The

residual impact of the pandemic may last many years and care providers will require ongoing support.

5.27. The future budget position is extremely challenging. The resilience of the Council has been eroded and the Council's reserves are significantly reduced.

5.28. The forecast impact on the Council's reserve position is set out below. This incorporates an indicative use of a further £51m in 2022/23 which is available to support the future budget position. The only unearmarked reserve is the General Fund reserve. This will be increased from £21m to £25m recognising the scale of the budget cuts being delivered and uncertainty facing the Council in the future.

Table 6 Summary reserves position

	Opening Balance 1 April 2020 £'000	Forecast Opening Balance 1 April 2021 £'000	Forecast Opening Balance 1 April 2022 £'000	Forecast Opening Balance 1 April 2023 £'000	Forecast Opening Balance 1 April 2024 £'000	Forecast Opening Balance 1 April 2025 £'000
Ring-fenced Reserves outside the General Fund:						
HRA Reserves	111,871	116,848	97,657	83,669	86,064	84,994
School Reserves	15,993	15,734	15,734	15,734	15,734	15,734
Earmarked Reserves:						
Airport Dividend Reserve	55,806	43,953	39,040	0	0	0
Insurance Fund	18,589	18,089	17,589	14,089	13,589	13,089
Statutory Reserves	22,570	16,471	16,551	17,762	19,197	20,632
Balances Held for PFI's	2,116	2,204	1,906	1,800	1,661	1,463
Reserves directly supporting the revenue budget	55,258	36,113	9,166	3,481	3,481	0
Reserves held to smooth risk / assurance	41,952	212,538	50,385	15,561	3,751	2,732
Reserves held to support capital schemes	119,969	144,899	124,319	91,886	75,910	54,303
Reserves held to support growth and reform	19,243	21,766	11,364	7,605	3,097	1,386

	Opening Balance 1 April 2020 £'000	Forecast Opening Balance 1 April 2021 £'000	Forecast Opening Balance 1 April 2022 £'000	Forecast Opening Balance 1 April 2023 £'000	Forecast Opening Balance 1 April 2024 £'000	Forecast Opening Balance 1 April 2025 £'000
Grants and Contributions used to meet commitments over more than one year	7,224	14,286	2,842	1,113	521	484
Small Specific Reserves	5,980	5,070	4,494	3,881	3,787	3,693
Sub-Total Earmarked Reserves	***348,706***	***515,389***	***277,655***	***157,178***	***124,994***	***97,782***
General Fund	21,353	25,000	25,000	25,000	25,000	25,000

The 2021/22 Revenue Budget

5.29. Taking into account all of the uncertainty above, the Council will be publishing a one-year revenue budget for 2021/22 which is aligned to the Spending Review and Finance Settlement. The report to Executive 20 January 2021 set out the draft budget position following the January Scrutiny Committee process and associated budget consultation. This has now been updated following the key decisions on the Council Tax and Business Rates base and position and all other changes since January and is shown in the table below:

Table 7: Budget Position 2020/21 (Latest) and 2021/22 (Proposed)

	Original Budget 2020 / 21 £'000	Revised Budget 2020 / 21 £'000	Proposed 2021 / 22 £'000
Resources Available			
Business Rates Related Funding	339,547	514,696	155,537
Council Tax	174,465	174,465	176,857
Grants and other External Funding	66,642	131,823	120,243
Dividends	15,810	900	0
Use of Reserves	69,661	37,405	184,667
Total Resources Available	**666,125**	**859,289**	**637,304**
Resources Required			
Corporate Costs:			
Levies / Statutory Charge	71,327	67,851	66,580
Contingency	860	300	4,719
Capital Financing	44,507	44,507	39,507
Transfer to Reserves	18,263	199,474	1,557
Sub Total Corporate Costs	*134,957*	*312,132*	*112,363*

	Original Budget 2020 / 21 £'000	Revised Budget 2020 / 21 £'000	Proposed 2021 / 22 £'000
Directorate Costs:			
Additional Allowances and other pension costs	9,580	9,066	9,066
Insurance Costs	2,004	2,004	2,004
Inflationary Pressures and budgets to be allocated	10,271	970	3,230
Directorate Budgets	509,313	535,117	510,641
Subtotal Directorate Costs	*531,168*	*547,157*	*524,941*
Total Resources Required	**666,125**	**859,289**	**637,304**
Shortfall / (surplus)	**0**	**0**	**0**

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

- The Revenue Budget Report 2021/22
- 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

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

Table 8: Scrutiny Reports

Date	Meeting	Budget Paper
9 February	Resources and Governance Scrutiny Committee	Report covering the Corporate Core and the relevant parts of both Neighbourhoods Directorate (Operations and Commissioning and Growth and Development Directorate (Operational and Investment estate and facilities management)
9 February	Health Scrutiny Committee	Adult Social Care and Population Health
10 February	Children and Young People Scrutiny Committee	Children and Education Services
10 February		Report covering the relevant services from within the

	Neighbourhoods and Environment Scrutiny Committee	Neighbourhood Directorate (Compliance and Highways)
		Homelessness report
11 February	Economy Scrutiny Committee	Report covering Growth and Development Directorate (Planning and Building Control, Work and skills, Strategic Housing)
11 February	Communities and Equalities Scrutiny Committee	Report covering the relevant services from within the Neighbourhood Directorate (Parks, Leisure Youth and Events)

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

6.1. 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

6.2. 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.

6.3. 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	As outlined above robust monitoring arrangements are in place to enable early corrective action to be taken if savings are not deliverable as planned. Within Health and Social Care, the Better Outcomes Better Lives programme involved a robust independent review of demand management and developed a

Risk	Mitigation
	realistic savings and transformation programme alongside strengthened governance arrangements.
Increasing demand for social care, impact welfare reforms and rising homelessness is higher than budget assumptions	Additional government funding of c£6m in 2021/22 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. The profile of future demand has been reviewed and updated for 2021/22 including identifying and funding estimated ongoing impact of COVID-19.
Volatility of resource base including business rates	As the Council becomes more reliant on locally raised resources and dividend income it is more susceptible to any downturn in the economy. To mitigate the risk the majority of the airport dividend is used 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. A thorough review of the Collection Fund has been carried out. For business rates the collection rates and appeals provisions have been reassessed in line with current risks. Additional government financial support has been provided via the Spending Review.
Delivery of a balanced budget beyond 2021/22	Longer term scenario planning has started to address the uncertainty beyond 2021/22. The Council will be implementing a full Transformation Programme to ensure delivery of the Corporate Plan, improve future resilience and provide the framework for future budget decisions. The estimated three-year position and approach is set out in the main body of this report. Given the level of future uncertainty and risk, £51m of earmarked reserves have been identified to smooth any future budget shocks.
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

Risk	Mitigation
	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. An independent review of the capital programmes function is also being carried out to provide further assurance around delivery and cost control. The scope of the review is on the agenda for the February Resources and Governance Scrutiny Committee. 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.

6.4. 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.

6.5. 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. This is considered to be a prudent provision.

6.6. The CFO considers that the assumptions on which the budget has 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 the CFO is confident the overall 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.

6.7. The Council has arrangements to fulfil its statutory duties particularly the needs of vulnerable young people and adults. Proposals have been drawn up on the basis that Strategic Directors are satisfied they can continue to meet their statutory duties and the needs of the most vulnerable.

Adequacy of the proposed Financial Reserves

6.8. 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 2021 will be £25m, increased from the current £21m. The level of the un-earmarked General Fund reserve held has been risk assessed by the CFO and is felt to be prudent recognising earmarked reserves are held to mitigate specific risks such as 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 previously in paragraph 6.3.

6.9. 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. The view of the Deputy Chief Executive and CFO is that it would be prudent in light of the higher level of risk being faced by the Council the reserve should be increased.

6.10. The Council also has a number of earmarked reserves which are detailed in the 2020/21 budget report elsewhere on the agenda and summarised in Table 6 of this report. They have a 2020/21 opening balance of £349m, as well as £112m relating to the HRA and £16m 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.

7. Fiduciary and Statutory Considerations

7.1. 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

7.2. 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.

7.3. 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.

7.4. 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.

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

7.6. 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.

7.7. 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.

7.8. 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.

7.9. Guidance on when councils should issue section 114 notices has been temporarily modified to reduce "highly disruptive" spending freezes during the COVID-19 crisis. CIPFA announced that the statutory requirements on chief finance officers to set a balanced budget had not changed, but it has amended its guidance so that a s114 notice "should not normally be necessary" while informal discussions with government over funding are taking place. To this end, a CFO facing the prospect of issuing a s114 declaring that the council cannot balance its books should make informal contact with the MHCLG at the "earliest possible stage" and at the same time make the council's cabinet and auditor aware of the situation.

7.10. Unlike declaring a S114, which by law must be done publicly, this can all be done confidentially, with any report to Executive considered in private. This has the backing of central government as well as treasurers' societies and the Local Government Association and could remain in place for several months.

7.11. The CFO does not consider that Manchester City Council is in Section 114 territory.

Equalities Duties

7.12. 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.

7.13. 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.

8. Financial Governance

Leadership and Governance

8.1. 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

8.2. 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 2020. An unqualified Value for Money conclusion was issued.

Financial Management Code

8.3. 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.

8.4. 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.

8.5. 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.

8.6. 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.

8.7. 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

8.8. 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.

8.9. *Standard F - The authority has carried out a credible and transparent financial resilience assessment* - The CIPFA Financial Resilience Index has been developed to enable organisations to 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 earmarked 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.

8.10. 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 CFO has examined the major assumptions used within the budget calculations and associated risks as reported at Section 6.

8.11. *Standard G - The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members*. - This report sets out the longer term financial strategy and how financial sustainability is being maintained. it is also demonstrated by the Section 25 statement within this report.

8.12. *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.

8.13. *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 are limited to 2020/21 to align with the central government one year Spending Review and Finance Settlement effective arrangements are in place to facilitate longer term financial planning including:

- Five-year Capital Strategy (and financing arrangements) and asset management plans
- Three-year financial position and strategy for delivering a balanced budget set out in this report
- Five-year reserve strategy with three years published in the MTFP
- Financial and scenario planning over the next spending review period
- Three-year Children's and Adults investment proposals for the use of additional one-off funding received in 2019/20.

8.14. 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 £40.7m. 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.

8.15. In 2020/21 20% of savings were considered high risk in terms of deliverability. These related to Homelessness, the Neighbourhoods Directorate and Growth and Development and have been reassessed as part of the 2021/22 budget setting process.

8.16. A new Senior Management Team Board is being established to oversee the Council change programme and delivery of the budget cuts which will provide added rigour to the process. The strengthening of the arrangements for the Manchester Local Care Organisation or MLCO, which has responsibility for community-based health care and adult social care, includes the establishment of the Accountability Board which will include the Council's Chief Executive and S151 Officer

8.17. 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.

8.18. 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.

8.19. 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. Given the scale of the financial challenges faced an independent analysis was commissioned in July 2020 and the evidence used to inform the budget planning. The analysis highlighted 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.

8.20. 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

8.21. The Scrutiny Committee meetings on the 9-11 February 2021 will review the budget proposals within their remit. The Resources and Governance Scrutiny Committee will meet on 1 March 2021 to look at the overall budget proposals and receive comments from other scrutiny committees prior to the Budget going to Budget Council 6 March.

9. Fiduciary and Statutory Considerations

9.1. 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 has been rising. This has been exacerbated by the disproportionate level of funding reductions the Council has taken.

9.2. 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.

9.3. 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.

9.4. This report also sets out the position and approach over the life of the Medium-Term Financial Strategy. Whilst a balanced budget for 2021/22 can be achieved the financial position is extremely challenging with significant budget gaps remaining for 2022/23 and 2023/24. Fundamentally, the government has not provided any support for the loss of dividend income that we would achieve through our economic strategy for Manchester, and this is a key factor in the requirement to make over £40m of cuts in 2021/22 and the ongoing budget gap. The likely depletion of reserves is also a cause for concern.

9.5. Finally, the report also sets out the approach to the management of risk and an assessment against the requirements of the Financial Management code. Whilst it concludes that a reasonable and prudent approach is being taken it again highlights the levels of risk the Council is facing and the reduced levels of resilience now in place.

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Manchester City Council
Report for Resolution

Report to: Executive – 17 February 2021
Resources and Governance Scrutiny Committee – 1 March 2021

Subject: Revenue Budget 2021/22

Report of: Chief Executive and Deputy Chief Executive and City Treasurer

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Summary

This report sets out the budget proposals for 2021/22 based on the outcome of the Final Local Government Finance Settlement and the issues which need to be considered prior to the Council finalising the budget and setting the Council Tax for 2021/22. This report should be read in conjunction with the reports from Strategic Directors relating to budget proposals for their services, the Housing Revenue Account budget report, the Dedicated Schools Grant Report, the Medium-Term Financial Strategy and Budget Report 2021/22, the Capital Strategy and Budget 2020/21-2024/25 and the Treasury Management Strategy; all contained elsewhere on this agenda.

Recommendations

The Executive is requested to:

(i) Note that the financial position has been based on the Final Local Government Finance Settlement announced on 4 February together with any further announcements at that date,
(ii) The resources available are utilised to support the financial position to best effect, including use of reserves and dividends; consideration of the updated Council Tax and Business Rates position; the financing of capital investment, and the availability and application of grants (including Covid-19 allocations),
(iii) Note the anticipated financial position for the Authority for the period of 2020/21 to 2021/22 which is based on all proposals being agreed,
(iv) Consider the detailed budget reports from individual Strategic Directors elsewhere on this agenda and the proposals for service and expenditure changes, together with the feedback from the Scrutiny Committees, in reaching decisions regarding the final budget recommendations for 2021/22,
(v) Note that the Capital Strategy and Budget 2020/21 to 2024/25 will be presented alongside this report,
(vi) Note the Deputy Chief Executive and City Treasurer's review of the robustness of the estimates and the adequacy of the reserves. This is covered in the Budget 2021/22 Covering Report elsewhere on this Agenda,
(vii) Make specific recommendations to Council to approve in the budget for 2021/22:
    a. an increase in the basic amount of Council Tax (i.e., the Council's element of Council Tax) by 1.99%. The Council has consulted on the 3% Adult Social Care precept increase. If agreed, it is proposed to

prioritise this resource to support care budget pressures and notably the impact of COVID-19 on care for residents both to support new and increased needs and complexity.

b. the contingency sum of £1.854m,

c. corporate budget requirements to cover levies/charges of £66.731m, capital financing costs of £39.507m, additional allowances and other pension costs of £9.066m and insurance costs of £2.004m,

d. the inflationary pressures and budgets to be allocated sum of £3.671m; and delegate the final allocations to the Deputy Chief Executive and City Treasurer in consultation with the Executive Member for Finance and Human Resources. The health and social care elements of these costs have already been included in the Pooled Budget. The use of these budgets will be agreed with the Manchester Partnership Board, which has representation from all key partners, along with identifying whether any more formal approvals are required in line with the Council's key decision thresholds.

e. the estimated utilisation of £9.786m in 2021/22 of the surplus from the on-street parking and bus lane enforcement reserves, after determining that any surplus from these reserves is not required to provide additional off-street parking in the authority; and

f. the planned use of, and movement in, reserves as identified in the report and in Appendix 3 subject to the final call on reserves after any changes are required to account for final levies etc.

(viii) Delegate authority to the Deputy Chief Executive and City Treasurer and Chief Executive to agree the use of the Adult Social Care Reserve in consultation with the Executive Members for Finance and Human Resources and Adult, Health and Wellbeing and the Chief Executive of the MLCO.

(ix) Delegate authority to the Deputy Chief Executive and City Treasurer and Chief Executive to agree the use of the Social Care Reserve in consultation with Executive Members for Finance and Human Resources and Children's Services

(x) Approve the gross and net Directorate cash limits as set out in Section 5 and Appendix 1,

(xi) Approve the in-principal contribution to the Health and Social Care Pooled Budget, and subject to the approval of a new S75 Agreement at Executive,

(xii) Delegate authority to the Deputy Chief Executive and City Treasurer and Chief Executive in consultation with the Executive Member for Finance and Human Resources and the Leader of the Council to draft the recommended budget resolution for budget setting Council in accordance with the legal requirements outlined in this report and to take into account the decisions of the Executive and any final changes and other technical adjustments,

(xiii) Note that there is a requirement on the authority to provide an itemised council tax bill which, on the face of the bill, informs taxpayers of that part of any increase in council tax which is being used to fund adult social care; and to provide specific information about the purpose of the council tax increase in the information supplied with demand notices,

(xiv) Approve, in principle, implementation of any new business rate reliefs in 2021/22 or changes as announced by Government in the Chancellor's Spring Budget on 3 March, which will increase the relief offering to businesses. Note that the business rates bills will not be issued until after the Spring Budget announcement and any changes have been actioned, and

(xv) Recommend that Council approve and adopt the budget for 2021/22.

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 2021/22 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 economy that creates jobs and opportunities.	This report considers the medium-term financial strategy for 2021/22 that will underpin all of the Council's priorities as determined through the Our Manchester Strategy.
A highly skilled city: world class and home grown talent sustaining the city's economic success.	
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities.	
A liveable and low carbon city: a destination of choice to live, visit and work.	
A connected city: world class infrastructure and connectivity to drive growth.	

Implications for:

- Equal Opportunities Policy – there are no specific Equal Opportunities implications contained within this report.

- Risk Management – as detailed in the report.

- Legal Considerations – there are no specific legal considerations contained within the report.

Financial Consequences – Revenue

This report sets out a number of proposals which are subject to consideration by Executive following that by Scrutiny Committees. The implications for the Council's revenue budget for 2021/22, if all proposals are agreed, are set out within the report.

Elsewhere on the agenda are the Medium-Term Financial Strategy, the Directorate Reports including a joint report for Health and Social Care, the Housing Revenue Account Budget, the Dedicated Schools Grant, Medium Term Financial Strategy and Budget 2021/22 Report and the Capital Strategy and Budget Report and the Treasury Management Strategy and Borrowing Limits and Annual Investment Strategy. These reports together underpin the detailed financial spend of the Council for the forthcoming year and provide a framework for Revenue and Capital planning for 2021/22.

The latest financial position for 2020/21 is set out within the Global Revenue Budget Monitoring report elsewhere on the Agenda.

Financial Consequences – Capital

There are no capital consequences arising specifically from this report.

Contact Officers:

Name: Joanne Roney
Position: Chief Executive
Tel: 0161 234 3006
E-mail: j.roney@manchester.gov.uk

Name: Carol Culley
Position: Deputy Chief Executive and City Treasurer
Tel: 0161 234 3406
E-mail: carol.culley@manchester.gov.uk

Name: Helen Seechurn
Position: Interim Deputy City Treasurer
Tel: 0161 234 1017
E-mail: helen.seechurn@manchester.gov.uk

Name: Fiona Ledden
Position: City Solicitor
Tel: 0161 234 3087
E-mail: fiona.ledden@manchester.gov.uk

Background documents (available for public inspection):

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

Executive – 11 November 2020 Report to update on the Council's MTFP focusing on the financial position and strategy from 2021/22
Executive - 14 October 2020 P5 Revenue Budget Monitoring 2020/21 and Budget Position 2021/22

Executive - 9 December 2020 P7 Revenue budget monitoring 2020/21
Executive – 20 January 2021 - Provisional Local Government Finance Settlement 2021/22

Table of Contents

The structure of the report is as follows:

1 Introduction

1.1. The Final Local Government Finance Settlement 2021/22 was released on 4 February 2021, with no changes from the provisional settlement announced 17 December 2020. Due to the announcement of a one-year Spending Review by government the Council will publish a single year budget for 2021/22, whilst maintaining focus on longer term financial planning. This report sets out a one-year budget for 2021/22, however the longer-term implications have been considered and these are set out, along with the strategy for ensuring financial sustainability, in the Medium-Term Financial Strategy. It is anticipated that the implications of COVID-19 will have a significant impact on the Council's finances for several years.

1.2. The financial considerations contained within this report are based on the Final Local Government Finance Settlement issued on 4 February 2021 and announcements on grant allocations. It should be noted that the final amount of Public Health grant is yet to be confirmed. It also contains the outcome of the decisions on council tax and business rates surpluses and bases that have been made by the Deputy Chief Executive and City Treasurer in consultation with the Executive Member for Finance and Human Resources under delegated powers.

1.3. Executive are asked to consider the budget proposals in this report alongside any feedback from Scrutiny meetings and make recommendations on what should be included in the revised budget.

2. Background and Context

2.1. At the time the 2020/21 budget was set there was considerable uncertainty about the position post 2020/21, including potential changes to the business rates regime and funding allocation formula. The spending review process was also unclear. Prior to COVID-19 there was an underlying budget gap of c£22m for 2021/22 rising to c£80m by 2024/25, as a result of cost pressures including inflationary increases and demography. This was to be addressed in the Medium-Term Financial Planning process. Since then, the Council has seen the financial impact of COVID-19, which is outlined in the Period 9 Global monitoring position reported elsewhere on this agenda.

2.2. The strategic framework remains the Our Manchester Strategy, the Corporate Plan and the Locality Plan. The Single Council Business Plan 2021/22 describes in more detail the action being taken to deliver the Corporate Plan.

2.3. The Medium-Term Financial Strategy elsewhere on the agenda sets out the context for the budget. The budget proposals for 2021/22 will continue to reflect the priorities set out in the Corporate Plan. Whilst the Council is publishing a one-year budget in line with the one-year spending review there is a need to plan for a three-year position. The Medium-Term Financial Strategy takes a three year look at the position, the risks and uncertainties faced and the approach to ensuring financial resilience.

2.4. The budget proposals must be within the resources available to the Council. This report, therefore, considers the financial position considering both resources available from central government and those generated locally alongside the need to fund unavoidable cost pressures, including those resulting from the COVID-19 pandemic, and to invest in Council priorities. It brings together the agreed priorities with residents, any recent funding announcements, and the Council's statutory duties.

3. Financial Context

COVID-19 Pandemic

3.1. During the pandemic local government has stepped up and delivered. Manchester City Council has provided accommodation to 280 homeless people sleeping rough in the city, delivered free school meal vouchers to over 34,000 vulnerable school aged children during both the December and February half term, allocated over £1.4m in food support to the most vulnerable residents through the Manchester Community Hub, distributed over £153m in funding to businesses and conducted a successful local Track and Trace scheme.

3.2. This has not been without cost. Prior to COVID-19 the Council had established a Medium-Term Financial Plan and Balance Sheet strategy with capacity to offset shocks and provide investment where necessary. This had included for example using the majority of the airport dividend in arrears and smoothing budget investment in social care. However, the depth and breadth of this pandemic could not have been foreseen and the Council, like many other authorities across the country, is facing a significant and long-term financial challenge.

3.3. As a result of the COVID-19 pandemic there has been additional demand for services and reductions to Council's income (as set out in the global monitoring report to Executive, elsewhere on this agenda). The budget impact of the pandemic is estimated at £58m this year increasing to £144m next year. It is anticipated the losses will continue to be felt over the five-year period. Whilst some issues are uniform to most local authorities every local authority will have different specific issues which impact them. For Manchester, the most significant is commercial income losses with a budget impact of c£15m lost this year increasing to £71m before recovering somewhat from 2023/24.

3.4. The losses have been partly supported by central government through emergency funding which totals £64.8m in 2020/21 and £22.2m in 2021/22. In addition, support is anticipated through the Sales, Fees and Charges compensation scheme which is based on a claims process and estimated at £10.2m this year and £4.5m relating to quarter one of 2021/22.

Overall position

3.5. Prior to COVID-19 there was an underlying budget gap of c£22m for 2021/22 rising to c£80m by 2024/25. This was a result of cost pressures including inflationary increases and demography. This was to be addressed in the Medium-Term Financial Planning process. The significant financial impact from the COVID-19 pandemic estimated at £144m in 2021/22 is in addition to this, giving an underlying gross pressure for 2021/22 of £166m.

3.6. Prior to the Spending Review mitigations and corporate measures of £57m were identified to support the position. In addition, it was proposed £12m of airport dividends were re profiled from 2020/21 to support next year's budget. This resulted in pre-Spending Review budget gap of £97m.

3.7. This will be balanced through the additional funding announced in the Finance Settlement (£58m), a planned £41m budget cuts, proposed £9m use of the 3% Adult Social Care precept and grant to fund costs in adult social care and forecast Sales, Fees and Income compensation for losses (£4m). This is partly offset by movement of c£15m airport dividend to 2022/23.

Table 1 Budget Overview

	Revised 2020 / 21 £'000	**2021 / 22 £'000**
Original Gap (pre COVID)	0	22,554
COVID-19 Budget impact of Additional Costs and Net income losses	57,960	143,938
Gross Underlying Gap (inc Covid-19)	**57,960**	**166,492**
COVID-19 Emergency Funding - Confirmed	(64,782)	0
COVID-19 Sales, Fees and Charges grant - forecast	(10,200)	0
Savings, mitigations and other changes	(18,205)	(2,327)
Corporate measures	0	(55,382)
Reprofile use of reserves to part offset loss of income impacting future years	34,835	(11,803)
Budget position pre settlement	**(392)**	**96,980**
Spending Review / settlement	0	*(58,701)*
Savings Proposals	0	(40,717)
Savings target being met by ASC precept and Social Care Grant	0	*(8,700)*
COVID-19 Sales, Fees and Charges grant - forecast		*(4,481)*
Reprofile use of reserves to part offset loss of income impacting future years	*392*	*15,619*
Forecast revised budget gap	**0**	**(0)**

3.8. The Corporate measures of £55.4m are detailed in the relevant sections of this report. The most significant are as follows:

- Use of net income from the airport loan, after allowing for the costs of interest and minimum revenue provision (MRP), to support the revenue budget rather than the capital programme:
    - Loan advanced in 2020/21 - £14.9m (2 years including 2020/21 and 2021/22).
    - Loan advanced in 2018/19 - £10m (2 years including 2020/21 and 2021/22).

- Additional income of £7.7m in 2021/22 returned from GMCA made up of Waste and Business Rates rebates, this will be carried forward in reserve to support 2022/23.
- Use of funds which were originally planned to be shared with GMCA (business rates pilot growth) now used to partly offset the business rates deficit in 2021/22 £6.3m.
- Use of capital fund reserve £2.8m.
- Minimum revenue provision saving £2.4m.
- Use of bus lane income to support the transport levy costs of £2m.
- Ongoing increase of £1m on the Retained Business Rates budget due to the late announcement of Public Health allocation for 2020/21 which increased the Council’s Baseline Funding Level and reduced the Tariff payment due to the Government.

3.9. Other changes totalled £1.9m and included the ongoing impact of 2020/21 mitigations such as utilities savings (£0.4m), pension contribution decrease in addition to that budgeted (£0.3m), an underspend on additional allowances payments (£0.5m) alongside a review of the amount set aside for directorate investment £0.7m.

3.10. Spending Review announcements were reported to 20 January Executive and have improved resources by £58.7m. The most significant announcements and assumptions being Tranche 5 emergency funding (£22.2m), the Local Tax Income guarantee scheme (£10.3m), the Local Council Tax support grant (£5.7m), reduced pay assumptions (£8.9m), An additional year of New Homes Bonus (£4.1m), a new Lower Tier services grant (£1.2m) and continuation of the business rates 100% retention pilot (£5.1m) and inflationary increases £1.2m.

3.11. In addition, the Spending Review increased funds available for Social Care through an increased Adult Social Care (ASC) Council Tax precept of 3% which is worth c£5.1m to the Council and a £300m increase to the Social Care grant, of which Manchester's share is £6.3m. It is proposed £8.4m of this is used to fund care budget pressures and thereby reduce the savings requirement, with the balance of £3m supporting investments in the health and social care pooled budget (£2.7m) and within Childrens Services (£0.3m).

3.12. In summary the additional funding announced, alongside the proposed savings will enable a balanced budget to be delivered in 2021/22. In addition, this will allow the identified £11.8m plus a further £3.2m of planned reserves to be reprofiled to support the position in 2022/23 where there remains a significant budget gap.

Budget Cuts Proposals

3.13. Prior to the Spending Review the Council was facing a budget gap of almost £100m. The Finance Settlement has improved the position, although it assumes that local authorities will increase council tax by 4.99% including the 2% referendum limit and the 3% Adult Social Care precept.

3.14. The Council consulted on a proposed 4.99% council tax increase and the consultation closed on 24 December. The responses to the consultation were reviewed by January Executive and the full increase, including the social care precept, is included in the budget proposals set out in this report. The majority of the additional social care grant and the social care precept have been applied to fund care budget pressures and thereby reduce the £20m budget cuts target for Adult Social Care by £8.4m with the Council now proposing a total of £40.7m budget cuts, rising to £47.8m by 2024/25.

3.15. The final budget cuts proposals are detailed in the directorate budget reports elsewhere on this agenda and listed in Appendix 1. The summary position by directorate is shown below.

Table 2 Savings Proposals

Amount of savings proposals	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	Total £'000	Indicative FTE reduction
Adults Services	11,597	3,326	3,477	0	18,400	0.0
Children Services	12,359	(152)	(1,309)	100	10,998	14.0
Homelessness	2,335	0	0	0	2,335	7.0
Neighbourhoods (Incl. Highways)	6,683	493	100	100	7,376	2.0
Growth and Development	2,024	591	604	(905)	2,314	22.4
Corporate Core	5,719	562	0	0	6,281	115.6
Total Savings Options	40,717	4,820	2,872	(705)	47,704	161.0

3.16. The proposed budget cuts and requests for additional funding are being considered again at the February Scrutiny Committee meetings. Any recommendations from these meetings are included in the papers to the Executive.

3.17. The table below summarises the budget position after the impact of all the changes outlined in this section of the report and a full review of all the resources available and expenditure commitments.

Table 3 Summary of Resources Available and Budget Requirement

	Original Budget 2020 / 21 £'000	Revised Budget 2020 / 21 £'000	Proposed 2021 / 22 £'000
Resources Available			
Business Rates Related Funding *	339,547	514,696	155,537
Council Tax	174,465	174,465	176,857
Grants and other External Funding	66,642	131,823	120,243
Dividends	15,810	900	0
Use of Reserves	69,661	37,405	184,667
Total Resources Available	**666,125**	**859,289**	**637,304**

	Original Budget 2020 / 21 £'000	Revised Budget 2020 / 21 £'000	Proposed 2021 / 22 £'000
Resources Required			
Corporate Costs:			
Levies / Statutory Charge **	71,327	67,851	66,580
Contingency	860	300	4,719
Capital Financing	44,507	44,507	39,507
Transfer to Reserves ***	18,263	199,474	1,557
Sub Total Corporate Costs	*134,957*	*312,132*	*112,363*
Directorate Costs:			
Additional Allowances and other pension costs	9,580	9,066	9,066
Insurance Costs	2,004	2,004	2,004
Inflationary Pressures and budgets to be allocated	10,271	970	3,230
Directorate Budgets	509,313	535,117	510,641
Subtotal Directorate Costs	*531,168*	*547,157*	*524,941*
Total Resources Required	**666,125**	**859,289**	**637,304**
Shortfall / (surplus)	**0**	**0**	**0**

*A large number of businesses received full relief from business rates in 2020/21, due to the pandemic. The Council was reimbursed for this income loss through a section 31 grant received in 2020/21, totalling £139m. Due to the accounting rules for collection fund the associated deficit is recognised in 2021/22, therefore the grant will be carried forwards in reserve to offset. This is shown as reduced business rates income and netted off in the transfer to reserves figure in the Resources Required section of the table. The reduced business rates income also includes the estimated 2020/21 business rates deficit that does not relate to the additional reliefs awarded.

**Although included within the table of levies / charges above, the Waste Levy is administered by the Neighbourhoods Directorate and will be included within their published budget. The revised budget figure has reduced after taking into account the reduced contribution required by GMCA

*** The 2020/21 £199m Transfer to Reserves includes the £139m business rates S31 grant referred to above and £30.9m carry forward of COVID-19 related grant for the income guarantee scheme to be used across 2021/22 to 2023/24

3.18. The changes between the original and revised budget are detailed in full in the Period 9 Global Monitoring report elsewhere on the agenda.

4. Underpinning Financial Assumptions

4.1. This section of the report sets out the detailed assumptions which underpin the revised budget for 2020/21 and the 2021/22 proposed budget.

Resources Available

Business Rates Income

4.2. Business Rates income is collected locally and partly redistributed between local authorities through a system of tariffs and top-ups. This redistribution is to ensure that areas do not lose out just because their local business rates are low compared to their assessed needs. The tariff is the amount paid to the Government to adjust income from business rates and bring it in line with the Government's assessment of the baseline funding level required. The top up was the amount received to bring funding in line with the Government's assessment of baseline funding level required.

4.3. The Council had been part of a pilot to retain 100% of additional business rate growth in Greater Manchester since 1 April 2017. The scheme set a growth baseline above which the ten Greater Manchester authorities would retain 100% of growth for the length of the pilot. On commencement of the 100% pilot the Council became a tariff authority (paying money to the government) rather than a top-up authority as it was previously under the 50% scheme.

4.4. Under the 100% pilot agreement, Revenue Support Grant and Public Health funding rolled into the business rates system. This means the 2021/22 Settlement Funding Assessment, or Baseline Funding Level, of £289.915m includes Revenue Support Grant of £58.291m and Public Health Funding of £52.857m. The direct Public Health allocations have not been confirmed for 2021/22.

4.5. In summary the total business rates related income available is as set out in the table below.

Table 4 Business Rates Related Funding

	Original Budget 2020 / 21 £'000	**Revised Budget 2020 / 21 £'000**	**Proposed Budget 2021 / 22 £'000**
Business Rates Baseline (per MHCLG)	329,127	329,127	329,127
Growth / (Loss) compared to baseline	11,226	11,226	(8,296)
Forecast Business Rates Income per NNDR1	**340,353**	**340,353**	**320,831**
Business Rates Tariff	(40,550)	(39,532)	(39,212)
Surplus relating to 2018/19	2,501	2,501	0
Surplus relating to 2019/20	9,579	9,579	818
Deficit related to S31 Grant Extended Retail Relief	0	0	(139,075)
Deficit relating to 2020/21 (total £41.039m spread over 3 years)	0	0	(13,680)
Compensation for irrecoverable losses	0	30,864	0
Business Rates S31 Grants (non-COVID)	29,856	29,826	25,854
Business Rates Grants (COVID)	0	139,075	0
Transfer from / (to) Business Rates Reserve	(2,192)	2,000	0

	Original Budget 2020 / 21 £'000	Revised Budget 2020 / 21 £'000	Proposed Budget 2021 / 22 £'000
Business Rates related income	**339,547**	**514,696**	**155,537**
Memo: Smoothing via reserves:			
Extended Retail Relief		(139,075)	139,075
Compensation for irrecoverable losses		(30,864)	10,288
Net Bottom line impact	**339,547**	**344,757**	**304,900**

4.6. The business rates baseline is the amount of business rates income that an authority is predicted to raise annually as included in the Settlement Funding Assessment. This would usually have been increased in line with September CPI, however as part of the Finance Settlement this has been frozen for 2021/22.

4.7. Growth / loss compared to baseline – The business rates baseline sets the level of business rates yield government expects billing authorities to generate. This baseline was set in 2013/14, when the business rates retention scheme was implemented, and has been index linked to inflation since. Manchester has growth above this baseline to 2020/21, and in 2021/22 with the impacts on collection and appeals due to the pandemic, the Council expects to fall below this baseline.

4.8. The Deputy Chief Executive and City Treasurer, in consultation with the Executive Member for Finance and Human Resources agrees under her delegated powers to determine the Business Rates base for 2021/22 including the calculation of the Council's business rate income and the major preceptors share. Further, the notification of the calculations as required to the Secretary of State and the Greater Manchester Combined Authority. In accordance with the Non-Domestic Rating (Rates Retention) Regulations 2013. The City Council's business rates income used for budget setting purposes for the year 2021/22 shall be £320.831m; the decision was made on the 29 January 2021.

4.9. The business rates tariff - In the Finance Settlement, it was announced that Revenue Support Grant would increase by an inflationary increase of 0.55%. As the Council is part of a 100% business rates pilot that is reflected in a reduced tariff being payable to government.

4.10. Reduced Business Rates income - This is the estimate of the difference in business rates income to the Government's business rates baseline. This includes the amount the Council anticipates collecting in business rates, plus the Council's share of the business rates deficit relating to the prior year.

4.11. Business rates Surplus / Deficit - Billing authorities are required under section 32 of The Local Government Finance Act 1992 to estimate any surplus/deficit on their collection fund for the year relating to business rates. Any such estimated surplus or deficit is shared between the billing authority and its major precepting authorities. The key decision relating to the declared business rate deficit is delegated to the Deputy Chief Executive and City

Treasurer, in consultation with the Executive Member for Finance and Human Resources and was made on 29 January 2021.

4.12. The Council's 99% share of the 2020/21 Business Rates Deficit declared is estimated at £179.296m. This is made up of three elements as follows:

- A surplus of £0.818m which represents the difference between the Council's share of the estimated surplus for 2019/20 declared in January 2020 compared to the outturn at 31 March 2020.
- The reliefs that were granted to the retail, leisure and hospitality sectors as a result of the COVID-19 pandemic and totals £139.075m These reliefs result in a reduction in business rates due but are fully funded by section 31 grant. Due to the accounting arrangements for the Collection Fund these grants will be accounted for in 2020/21. In order to fund the resultant deficit in 2021/22 this amount will be transferred to reserves.
- The final element is the estimated deficit for 2020/21 that was declared at the end of January 2021. This totals £41.039m and comprises the reduced collection rate as a result of the pandemic and an increase in the provision for appeals. The volume of appeals has increased both due to businesses claiming material changes in circumstances due to the pandemic and other known issues relating to rateable value reductions across the country for large shops, hospitals and fire stations. This element of the deficit is fixed and required to be spread over a three-year period between 2021/22 and 2023/24 at £13.680m per annum.

4.13. **Compensation for irrecoverable losses** - The Government has agreed to fund local authorities for 75% of irrecoverable losses in rates income relating to 2020/21 once additional section 31 grants have been taken into account - an amount of £30.864m is anticipated in 2020/21. This will be transferred to reserves and drawn down over 3 years.

4.14. **Business Rates Grants** – Section 31 grants are awarded to offset the reduction in business rates yield due to the changes announced by the government. This includes grants to facilitate the extension and enhancement of the 100% Small Business Rates Relief and in 2020/21 Extended Retail Relief which applied 100% relief to retail, hospitality and leisure properties in response to the pandemic for one year only, reducing rates yield by an additional £139.075m. The total Section 31 grants for 2020/21 currently total £199.795m, of which £29.856m applies to reliefs in place prior to COVID-19, £139.075m for the additional reliefs granted as part of the COVID-19 response and £30.864m for the Government's 75% Income Guarantee scheme. The £25.854m for 2021/22 covers the existing pre COVID-19 reliefs. All grants reflect Manchester's increased business rates share as a result of being part of the rates retention pilot.

4.15. In addition, the cost of discounts, awarded to qualifying businesses within the Enterprise Zones (EZ), are reimbursed to the Council. The estimate for 2021/22 anticipates that there will be growth above the EZ baseline in the Manchester Science Park. This is ringfenced reinvestment within this EZ and will fund the costs of the enterprise zone growth manager and the borrowing costs associated with developments.

4.16. The Government has confirmed that the 100% business rates growth retention pilot for ten Greater Manchester authorities will continue for 2021/22. There is no confirmation of what will happen beyond next year.

Table 5 Forecast Business Rates Grants

	Original Budget 2020 / 21 £'000	Revised Budget 2020 / 21 £'000	Proposed 2021 / 22 £'000
Business Rates Grants:			
Small Business Rates Relief	15,352	15,352	16,139
Multiplier Cap	13,665	13,665	16,738
Discretionary Revaluation	45	45	0
Enterprise Zone discounts	1,058	1,058	811
Retail relief	5,762	5,762	0
Adjustment to Top up in relation to multiplier cap	(6,026)	(6,026)	(7,834)
Extended Retail Relief	0	139,075	0
Local Income Guarantee Scheme Grant	0	30,864	0
Total Business Rates Grants	**29,856**	**199,795**	**25,854**

4.17. The Greater Manchester Councils, including Manchester, together with Cheshire East and Cheshire West and Chester, previously participated in the Greater Manchester and Cheshire Business Rates Pool which enabled any levy that would be otherwise be passed to the Government to be retained for the benefit of the Greater Manchester Combined Authority and Cheshire authorities. Due to the increased risks of authorities potentially breaching their safety net position, it has been agreed to dissolve the pool for 2021/22.

4.18. Any additional changes announced by the Chancellor in the Spring Budget on 3 March 2021 that reduce business rates income will be reimbursed as Section 31 grants. A supplementary return will be requested by Government to estimate the increased relief award and additional business rates grant due to the Council in 2021/22. As some changes are expected in the Spring Budget Announcement, the issuing of business rates bills will be delayed until after the Announcement and any changes have been processed.

Council Tax

4.19. The Council collects council tax which includes the Council’s own elements as well as the GMCA police and crime commissioner precept, the GMCA fire precept and the GMCA mayoral general precept. This report focuses on the increase to the Council element.

4.20. The changes to the council tax receivable by the Council are set out below:

- Referendum criteria – The Spending Review confirmed the referendum threshold at 2% for the authority’s other expenditure, (excluding adult

social care). This will generate an additional £3.4m and is included in the Revenue Budget proposals.
- Social Care Precept – the Spending review also confirmed an Adult Social Care precept of 3%. This will generate an additional £5.1m and is also included in the budget proposals.
- An increase in the Council Tax base of 1.8% (from the previous year's approved position) reflecting estimated housing growth within the City.
- The assumed council tax collection rate has been reduced from 96.5% to 94.5% as a result of the reduced collection being experienced due to the pandemic. Council tax due in the current year will continue to be collected for a number of years so the ultimate collection rate will be higher.
- A Council Tax deficit arising from the reduction in the in year collection rate and the increased number of people claiming Council Tax Support.

4.21. As set out earlier in this report, the Council consultation on the 3% adult social care precept closed on 24 December. The Council is minded to take the full 3% increase and the funding, worth £5.077m, would be added to the Health and Social Care Pooled Budget to support the funding of the £19.916m investment required to meet the ongoing costs from Covid-19 and demand and inflationary pressures detailed in the Adult Social Care and Population Health Budget 2021/22 report elsewhere on this agenda.

4.22. The impact of these changes on the 2021/22 position are shown in the table below. More detail on the setting of the Council Tax base and the calculation of the deficit are set out below the table:

Table 6 Net Council Tax Income Increase

	2020/21 £000	**2021/22 £000**
General Increase	3,242	3,394
Adult Social Care Increase	3,259	5,117
Increase to Tax Base	3,907	1,118
Change in prior year surplus	(2,450)	(7,237)
Total Increased Council Tax	**7,958**	**2,392**

Setting the Council Tax Base

4.23. The Deputy Chief Executive and City Treasurer, in consultation with the Executive Member for Finance and Human Resources, has delegated powers to set the tax base for Council tax setting purposes in accordance with the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012.

4.24. This calculation was based on data available on 31 December 2020 and the decision must be made between 1 December 2020 and 31 January 2021. The Council has to notify the precepting authorities of its calculation for 2021/22 by 31 January 2020. The tax base for tax setting purposes for the year 2021/22 was agreed on 7 January 2021 at 119,649.3. This compares to the base of

118,864.6 an increase of 0.7% and is due to an increase in the number of properties in the city, partly offset by an increase in the amount of council tax support awarded.

4.25. The base assumes that the number of Council Tax support claims will increase by an additional 1,500; this will be a significant increase of 12.8% from April 2020.

Declaring the Council Tax Surplus or Deficit

4.26. Billing authorities are required under section 32 of The Local Government Finance Act 1992 to estimate any surplus/deficit on their collection fund for the year relating to council taxes. Any such estimated surplus or deficit is shared between the billing authority and its major precepting authorities. The Deputy Chief Executive and City Treasurer, in consultation with the Executive Member for Finance and Human Resources, has delegated powers to agree the declared council tax surplus or deficit and this key decision approving the £2.984m deficit was made on 21 January 2021.

4.27. The 2020/21 Council Tax position has been estimated based on information available at the end of December 2020. An overall deficit of £2.984m is estimated of which Manchester's proportion is £2.482m. This deficit is split into two elements. The first part relates to the difference between the council tax surplus declared in January 2020 and the lower surplus calculated as part of the 2019/20 outturn as a result of the reduced collection rate at the start of the pandemic. The total part of that deficit is £2.488m of which the Council's proportion £2.072m is included in the 2021/22 budget.

4.28. The second part of the deficit relates to the in-year position and this is estimated at £496k due to the need to increase the bad-debt provision above the earlier assumption; with the Council's share being £410k.

4.29. The Government announced in the settlement that it would fund 75% of irrecoverable losses relating to the in year position. However, the definition of irrecoverable losses relating to council tax does not include any loss as a result of reduced collection rates, as a result the Council is not entitled to any compensation under this scheme. The omission of collection rate has been raised with government through the Council's consultation response.

4.30. The Government also announced that any in year loss has to be spread over 3 years, this is therefore included in the budget at £137k per annum for 2021/22 to 2023/24.

Table 7 Council Tax Position

	Original Budget 2020 / 21 £'000	Revised Budget 2020 / 21 £'000	Proposed Budget 2021 / 22 £'000
Council Tax requirement	169,437	169,437	179,066
2018/19 Surplus	583	583	0

	Original Budget 2020 / 21 £'000	Revised Budget 2020 / 21 £'000	Proposed Budget 2021 / 22 £'000
2019/20 Surplus / Deficit	4,445	4,445	(2,072)
2020/21 Deficit	0	0	(137)
	174,465	**174,465**	**176,857**

The Band D Council Tax Rate

4.31. Table 6 below shows the proposed changes to the Band D Council tax rate if the proposed increases are agreed by the Council and GMCA. The decision on the level of increase in the Council element will be considered at Council on 5 March following consultation on the proposed 3% social care precept. Decisions on the GMCA elements will be made by the GMCA on 12 February.

4.32. This includes the 4.99% increase for the Council and the indicative £10 Band D equivalent for the GM Police and Crime Commissioner precept. No other precept increases are anticipated for the GMCA.

Table 8 Proposed Band D Council Tax Impact on Manchester Band D Council Tax

Precepting Authority	2020/21 £	2021/22 £	Increase %
Council (including Adult Social Care Precept)	1,425.46	1,496.59	4.99%
GM Mayoral Police and Crime Commissioner Precept	208.30	218.30	4.8%
GM Mayoral General Precept (including Fire)	90.95	90.95	0%
Total	**1,724.71**	**1,805.84**	**4.7%**

Other Non Ring-Fenced Grants and Contributions

4.33. The following table lists the other non ring-fenced grants and contributions expected. There are also number of direct grants which are held within the Directorate cash limit budgets, as shown in table ten and detailed in the directorate reports.

Table 9 Other Non Ring-Fenced Grants and Contributions

	Original Budget 2020 / 21 £'000	Revised Budget 2020 / 21 £'000	Proposed 2021 / 22 £'000
Better Care Fund (Improved)	30,815	30,815	30,815
Children's and Adult's Social Care Grant	17,564	17,564	23,877
Lower Tier Services Grant	0	0	1,236
New Homes Bonus	8,864	8,864	8,330
Contribution from MHCC	4,000	4,000	4,000
GMCA Rebate		7,681	0
Education Services Grant	1,260	1,260	1,200
Housing Benefit Admin Subsidy	2,514	2,514	2,514
Fortuitous Income (one off)	0	924	0
R&B additional grants (New Burdens)	0	468	0
Council Tax Support Admin Subsidy	863	856	856
Care Act Grants	162	95	95
Business Rates Returned Levy	600	0	
COVID 19 Emergency funding	0	46,582	22,229
Local Council Tax Support grant			5,709
COVID grant for Sales, fees and charges losses	0	10,200	4,481
Loan Income from Airport	0	0	14,901
Total Non Ring-fenced Grants	**66,642**	**131,823**	**120,243**

4.34. More detail on the non ring-fenced grants and contributions is set out below. Other grants and contributions are contained within the Directorate budgets and detailed in the directorate reports elsewhere on this agenda:

- **Better Care Fund (Improved)** - was created in the 2015 Spending Review and increased in the Spring Budget 2017 to provide local government with new funding for adult social care. This was provided to ensure that councils could take immediate action to fund care packages for more people, support social care providers and relieve pressure on the NHS locally. This grant is being used to fund priorities and pressures within Adult Social Care and is currently included in the Health and Social Care Pooled Budget. The full detail is set out in the Manchester Local Care Organisation - Adult Social Care Business Plan.

- **Children and Adults Social Care Grant** - The Social Care Grant for adult and children's service was again confirmed in the 2021/22 Local Government Finance Settlement. The national grant has increased by £300m, £240m of this has been equalised to account for each authority's ability to generate income from the ASC Council Tax precept. The Council will receive an additional £6.3m. £3.3m is being used on a one-off basis to fund care pressures. The full detail is contained within the Adult Social Care and Population Health Budget 2021/22 report.

- **Lower Tier Services Grant** – This is a new one off un-ringfenced grant which will allocate £111m to local authorities with responsibility for lower tier services. The proposed grant methodology is two-fold. £86m will be allocated based on relative needs (last assessed in 2013/14). The balance includes a one-off minimum funding floor to ensure that no authority sees an annual reduction in Core Spending Power (CSP). This funding is in response to the current exceptional circumstances and is a one-off. The Council will receive £1.2m which is supporting the overall budget position in 2021/22.

- **New Homes Bonus (NHB)** - This is paid to local councils to reflect and incentivise housing growth. The Government has proposed a new round of NHB payments (year 11 payments) in 2021/22 which will not attract new legacy commitments in future years. The allocations for 2021/22 will be funded through a £622m top slice of Revenue Support Grant (RSG). The methodology will be the same as in 2020/21 with payments calculated as new housing and houses brought back into use (above a payments baseline of 0.4%), multiplied by the average band D council tax payment, with an additional payment made for affordable homes. Legacy payments associated with year 8 (2018/19) and year 9 (2019/20) will also be paid. The base budget reflected the expected legacy payments (£4.7m). The additional grant announced is worth £4.1m and is being used to support the overall budget position. The Government is inviting views on a replacement for NHB

- **Contribution from Manchester Health and Care Commissioning (MHCC)** - This relates to the agreement of a longer-term joint funding strategy with the CCG which includes the ongoing £4m contribution to the MHCC Pooled Budget.

- **GMCA Rebate** - This relates to rebates received from GMCA relating to both returned business rates income (£3.861m) and reserves released by the Waste Authority (£3.820m). These will be received in 2020/21 and held in reserve to support the revenue budget in 2021/22.

- **Education Services Grant** - This relates to retained funding from DSG to fund statutory duties at an increased rate of £13.15 per pupil.

- **Housing Benefits Administration Subsidy and Council Tax Support Administration Funding** - allocated to local authorities to support the costs of administering the range of welfare payments payable to residents.

- **Care Act Grants** - Funding allocations for adult social care duties previously announced.

- **Business Rates Returned Levy** - There was a redistribution of the surplus held in the national levy account in 2019/20. The national amount had been estimated at £45m which when finalised equated to £0.6m for Manchester; paid in 2020/21 only.

- **COVID-19 Emergency Funding** – The tranches of non-ringfenced funding announced by the Government to provide Council's financial support for the impact of the pandemic.

- **Local Council Tax Support grant -** indicative allocations from Government provide the Council with £5.709m of funding, however, this is based on Council Tax Support claimant data to 31 September and is likely to be revised to reflect updated claimant levels.

- **COVID Grant for Sales, fees and charges losses** – further compensation provided specifically to Council's for 75% of qualifying income losses. This is based on the estimated financial impact, claimed retrospectively through claims to MHCLG. The total claimable is estimated at £10.2m this year and £4.5m relating to quarter one of 2021/22.

- **Loan Income from Manchester Airport Group -** Use of net income from the airport loan advanced in 2020/21, after allowing for the costs of interest and minimum revenue provision (MRP).

- **Support for Leisure Centres -** £0.1bn funding has been identified nationally to provide support to council leisure centres most in need. Manchester has bid for £1.3m and is expected to receive the outcome of the bid by late February.

4.35. **Public Health Grant** is not reflected in the table above because for the Council Public Health expenditure is not currently grant funded but is now met from retained business rates. The 2021/22 allocations have not yet been announced by government, therefore the 2020/21 amount of £52.857m is assumed. It has been indicated that there is unlikely to be an inflationary increase. Should this change the Council's business rates tariff payment to the government will be revised accordingly. Public Health is included in the MHCC pooled budget which is currently being reviewed for 2021/22 in light of changes to the Health and Social Care integration arrangements.

4.36. The Directorate's budgets are reliant upon a range of government grants which fund specific responsibilities, these are reflected in directorate gross budgets. At this stage there are still some assumptions included for 2021/22 and budgets will be updated in year as grant announcements are made.

4.37. This includes the following significantly high value grants in 2021/22:

- **Dedicated Schools Grant (Childrens)** £339.59m allocation for schools, excluding those that have transferred to Academies. This now includes the Teacher's Pay and Pensions Grants.

- **Pupil Premium Grant (Childrens)** – £23.69m to support disadvantaged pupils and decrease the attainment gap between them and their peers.

- **Universal Free Schools Meals Grant (Childrens)** £3.8m which provides funding for all government funded schools to offer free school meals to eligible pupils in reception, year 1 and year 2.

- **Homelessness Prevention Grant (Homelessness)** £3.285m, this combines the Flexible Homelessness Support Grant and Homelessness Reduction Grant. The purpose of the grant is to give local authorities control and flexibility in managing homelessness pressures and supporting those who are at risk of homelessness. The additional funding of £723k for Manchester is allocated via a new formula that takes into account the relative homelessness pressures faced by LA's.

- **Rough Sleeper Initiative (RSI) Funding** £0.734m to fund joint initiatives and services to work together as the RSI partnership, with the objective of preventing people from rough sleeping and finding accommodation for people already rough sleeping.

- **Government Benefit Subsidy (Corporate Core)** total £180.8m **Housing Benefit Subsidy** the money government pays local authorities in the form of a subsidy to administer Housing Benefits and other financial matters; includes rent rebates paid and rent allowances awarded.

- **Discretionary Housing Payments (Corporate Core)** £2.538m allocation of the Government's contribution to assist the claimants with the welfare entitlement that resulted from the Housing Benefits welfare reform.

- **Community Safety Prevention Grant (Neighbourhoods)** £0.795m to support the Community Safety partnership which aims to make the city a safer place in which to live, visit and work. This grant contributes towards achieving the priorities of changing offender behaviours, protecting vulnerable people as well as reducing crime and anti-social bahavious.

- **Learning and Skills (Growth and Development) total** £8.242m for MAES (Manchester Adult Education Service) to connect the education, work and skills agenda across the Council.

- **Talk English (Growth and Development) -** £0.902m, funding allocated to 30 authorities to deliver English language courses and other activities that connect learners to the places, spaces and people in their local area.

4.38. The total grants included in the budget assumptions for each Directorate are summarised in the table below. Further details are set out in the Budget Reports elsewhere on this agenda.

Table 10 Specific Government Grants within Directorate budgets

	2020 / 21 £'000	Indicative 2021/22 £'000
Children's	358,258	376,847
Adult Social Care	5,095	5,095
Homelessness	3,286	4,009
Corporate Core	184,309	184,322
Neighbourhoods	5,419	2,266
Growth and Development	9.162	9.162
Total	**565,529**	**581,701**

Dividends and Use of Airport Reserve

4.39. The Airport Dividend from Manchester Airport Group for 2019/20 was planned to be used £14.910m in year, £47.090m a year in arrears and £8.729m two years in arrears. No dividend was receivable in 2020/21 and it is unlikely, with the impact of COVID-19 that any dividend will be paid in 2021/22. Therefore, no dividend has been budgeted for in 2021/22. The reduction in dividend income is partially offset by the use of the Airport Dividend reserve of £8.909m in 2020/21 and £5.387m in 2021/22. The majority of the reserve will be applied to the budget to meet the anticipated budget shortfall in 2022/23 as part of the measures set out in the Medium Term Financial Strategy.

4.40. The original budget for other dividends was £0.9m relating to Manchester Central (£0.5m) NCP Manchester Central (£300k) and Manchester Piccadilly (£100k). No dividends have been assumed for 2021/22 due to the economic situation.

Use of Reserves to Support the Revenue Budget

4.41. Use of reserves to support the corporate revenue budget is £34.461m in 2020/21 and £187.141m in 2021/22. The full detail is shown in the Reserves Section later in this report. It should be noted that the 2021/22 amount includes £139.075m relating to Business Rates Section 31 grant for Extended Retail relief.

Resources Required

4.42. The following table sets out the forecast levy payments and payment to GMCA.

Table 11 Levy Payments and Payment to GMCA

	Original Budget 2020/21 £'000	Revised Budget 2020/21 £'000	Proposed 2021/22 £'000
Transport Levy	37,476	37,476	37,525
GM Waste Disposal Authority *	30,051	30,051	28,731
Environment Agency	224	230	230
Probation (Residual Debt)	15	7	7

	Original Budget 2020/21 £'000	Revised Budget 2020/21 £'000	Proposed 2021/22 £'000
Magistrates Court (Residual Debt)	9	9	9
Port Health Authority	71	78	78
Statutory Charge to GMCA	3,481	0	0
Net Cost of Levies	**71,327**	**67,851**	**66,580**

* Although included within the table of levies / charges above, the Waste Levy is administered by the Neighbourhoods Directorate and will be included within their published budget. This is to recognise that the actions within the Directorate to reduce the levels of waste delivered impact on future levies which are tonnage based. It has been included above to give a complete view of the levies / charges paid.

4.43. The Transport Levy is to cover the costs of the GMCA transport policies. As part of the GMCA budget process it has been agreed that the amount will be frozen for 2021/22 although as the costs are allocated on a per capita basis the amounts will vary with the differential population growth between the GM local authorities. This accounts for the £49k increase.

4.44. The GM Waste Levy is to cover the costs of waste disposal which are administered by the GMCA. The costs are allocated on the basis of a prescribed formula, the terms of which are set out in a specific agreement signed by all GM authorities. The assumptions have been updated based on the most up to date tonnage forecasts. The final amount will be confirmed following the meeting of the GMCA on 12 February 2021 and may vary slightly. An additional sum of £1.3m has been included within the Council’s corporate contingency in 2020/21 to cover any potential increased charge in year linked to behaviour change due to the pandemic.

4.45. The statutory charge from GMCA is to cover costs that were previously met from the levy. The funding for transport functions has now been split between the Transport Levy and a Statutory Charge. There was a one-off increase to the statutory charge in 2020/21 and in the light of the financial pressures the GM local authorities are facing GMCA have agreed not to collect this in 2021/22.

Contingency

4.46. The required contingency amount includes:

- £1.254m in relation to risks around the waste levy and collection as outlined above.
- Whilst a pay freeze has been assumed in line with government policy a £2.8m contingency is being held until the pay negotiations for local government have been concluded
- £0.6m as an unallocated contingency to meet future unforeseen expenses. This is deemed to be reasonable amount and should be considered in conjunction with the Council’s policy on reserves.

Capital Financing Budget

4.47. The capital financing budget of £39.507m is to cover the costs of borrowing. In 2021/22 this is forecast to include:

- Interest costs of £22.8m,
- Interest receivable of £43.9m,
- Minimum Revenue Provision (MRP) of £31.1m, being the provision for the repayment of debt incurred to fund an asset, spread over the useful economic life of the asset,
- Debt Management Expenses of £3.5m. and
- Contributions to the Capital Fund Reserve of £26.0m.

4.48. The Council can only borrow to cover capital expenditure. The Capital Strategy and Budget and Treasury Management Statement also on this agenda provide more detail on the future borrowing requirements and on the debt and MRP position. The Council is forecast to borrow an additional £928.8m by the end of 2023/24 based on the current approved capital programme. To avoid this and any future capital investment becoming an additional call on the revenue budget the Capital Financing reserve has been established to cover the future increase in interest and MRP costs.

4.49. The Capital Financing budget has been reduced by £5m from 2021/22 as £5m of loan interest receivable is being used to directly support the revenue budget.

Transfers to Reserves

4.50. The planned transfers to reserves total £195.613m in 2020/21 and £1.557m in 2021/22. The full breakdown of these amounts is shown in the Reserves Section of this report.

Directorate Costs

Allowances and Insurances

4.51. Additional allowances for former staff and teachers' pension costs total £9.066m in both 2020/21 and 2021/22 relating to the historic pension cost of added years payments awarded to former employees. The Council no longer awards added years and has not done so for some time.

4.52. Insurance costs of £2.004m for both financial years relate to the cost of external insurance policies as well as contributions to the insurance fund reserve for self-insured risks.

Inflationary Pressures and Budgets to be Allocated

4.53. The main assumptions are shown in the table below and detailed in the following paragraphs.

Table 12 Inflationary pressures and budgets to be allocated

	Original Budget 2020 / 21 £'000	**Revised Budget 2020 / 21 £'000**	**Proposed 2021 / 22 £'000**
Non-Pay Inflation	2,361	0	1,981
Pay Inflation	6,520	0	0
Pension Contribution	(800)	0	0
Apprenticeship Levy 0.5%	900	970	999
Capacity for further pressures including Domestic Violence Prevention	1,000	0	0
Digital City work	250	0	250
Electricity and gas savings	0	0	
Contribution to Cemeteries Reserve	40	0	0
Total	**10,271**	**970**	**3,230**

Note: The allocation relating to the Health and Social Care pooled budget are not included in the table above as they have been included within Adult Social Care cash-limit budget as follows: National Living Wage £1.9m and Non-Pay Inflation £1.6m.

4.54. This includes the following:

- Non-Pay inflation - provided for increased running costs each year as a result of inflation. An allowance of 2% inflation has been made for 2021/22. The full year budget provision is £1.981m for 2021/22.
- Pay inflation – previously this was assumed to increase in line with the Chancellor’s commitment of national living wage of £10.50 by 2024/25 - aligned to the Local Government pay scale. No allowance has been made for a pay award in 2021/22 in line Government Policy regarding the pay freeze. A contingency of £2.8m is being held pending the outcomes of the national pay negotiations for local government
- Apprenticeship levy - this is payable as 0.5% of the annual pay budget.
- Capacity for further pressures - £1m was made available in the 2020/21 budget for pressures arising from the review of domestic violence funding. The budget has been mainstreamed at £100k this year increasing to £330k from 2021/22. Investment will support earlier identification and intervention working with key partners and agencies.
- Digital City work - a budget of £250k. Being a Smart City by 2025 means being strong with digital technology companies and is a key enabler to delivering the carbon agenda. Work is underway to scope a role profile for a Digital Strategist role that will be the custodian for this work. Consideration needs to be given to the best way of filling this role and the required capacity that can be drawn on to support the role and link the infrastructure, ICT, data and Corporate Core within the Council. This has been funded from the Council Tax surplus.

5. Financial Reserves

5.1. The Council holds a number of reserves, all of which, aside from the General Fund Reserve, have been set aside to meet specific future expenditure or risks. A full review of all the reserves held has been carried out as part of the budget setting process.

5.2. The reserves include:

- Reserves that have been identified to directly support the proposed budget position as part of the Council's risk management approach or where it is appropriate to meet corporate costs.
- Statutory reserves – such as the Bus Lane and Parking Reserves, where the use of these monies is defined in statute
- PFI Reserves – held to meet costs across the life of the PFI schemes
- Reserves to offset risk and manage volatility such as the Insurance Fund Reserve
- Reserves held to support capital schemes
- Reserves to support economic growth and public sector reform
- Grants and contributions which fall across more than one year – following local authority accounting standards these are held in a reserve
- Schools reserves – direct schools funding which the Council cannot utilise

5.3. The Medium Term Financial Strategy elsewhere on the agenda, sets out the overall approach to the management of risk and the use of reserves to ensure that the Council remains financially sustainable over the longer term.

Transfer to Reserves

5.4. Where reserves are used to support the Council's overall budget position or corporate expenditure such as levies these are shown gross as part of the Resources Required. The transfer to these reserves totals £199.474m in 2020/21 (or £29.5m after the impact of the S31 grants carried forward in reserves to offset the deficit in 2021/22 is taken into account). The 2021/22 total is £1.557m. These include: Transfers to reserves which are reflected in of £199.474m in 2020/21 and £1.557m in 2021/22 Budget relate to:

- COVID-19 smoothing related transfers:
    - Transfer the amount of section 31 grants received in 2020/21 relating to extended business rates retails reliefs granted for the retail, hospitality and leisure sector due to the COVID-19 pandemic to the business rates reserve to fund the resultant deficit in the Collection Fund that due to accounting arrangements will not be recognised until 2021/22 £139.075m
    - Local Guarantee Scheme - £30.864m income due in 2020/21 which will be carried forwards to part offset the 2020/21 Business Rates deficit which will be spread over three financial years 2021/22 to 2023/24.
- Transfer to Social Care Reserve of £0.92m and £1.557m in 2021/22 as approved as part of the 2019/20 budget.
- Transfer GMCA Rebates for waste (£3.820m) and Business Rates (£3.861m) to the budget smoothing reserve in 2020/21 for use in 2021/22

- Minimum Revenue Provision (MRP) saving transferred to the Town Hall Reserve £2.4m in 2020/21 only. It was previously agreed that savings from the changes in the MRP policy from 2017/18 would be used to fund the revenue costs associated with the cost of the town hall project across the life of the project.
- Transfer additional Business Rates income £6.270m to the Business Rates Reserve in 2020/21
- Transfer £10.667m to the Manchester International Reserve to support future years' expenditure, as approved in the 2020/21 budget process.
- Replenish general fund reserve in 2020/21 £1.597m.

Table 13 Transfers to reserve

	Original Budget 2020 / 21 £'000	Revised Budget 2020 / 21 £'000	Proposed 2021 / 22 £'000
COVID-19 related:			
Transfer to Business Rates Reserve (Extended Retail Relief)	0	139,075	0
Local Income Guarantee Scheme Grant	0	30,864	0
Town Hall Reserve (MRP Saving)	2,400	2,400	0
Other:			
Social Care Reserve	920	920	1,557
Waste reserves rebate from GMCA	0	7,681	0
Additional Business Rates Income to BR reserve	2,679	6,270	0
Transfer to Factory reserve	10,667	10,667	0
Transfer to General Fund Reserve	1,597	1,597	0
Total	**18,263**	**199,474**	**1,557**

5.5. The following section shows an analysis of the planned use of reserves in 2020/21 and 2021/22 to support revenue expenditure.

Reserves used to support the overall budget 'bottom line' position

5.6. Where reserves are used to support the Council's overall budget position or corporate expenditure such as levies these are shown gross as part of the Resources Available. The use of these reserves totals £184.7m in 2021/22 (or £35.3m after the impact of the S31 grants carried forward in reserves to offset the deficit in 2021/22 is considered). These include:

5.7. **Covid-19 Emergency Funding Tranche 1** - This grant of £18.589m was received in March 2020, it funded £389k of COVID related spend in 2019/20 with balance of £18.2m carried forwards to be applied against COVID-19 pressures in 2021/22.

5.8. **Business Rates Reserve** - This reserve is set aside to mitigate business rates income risk due to the volatility of the assumptions and the future reset of the business rates base. The planned drawdowns in 2021/22 total

£155.633m and mainly relate to smoothing the collection fund deficits as the results of the pandemic as follows:

- Section 31 grant for Extended retail relief £139.075m
- Section 31 grant for the Local Tax income guarantee scheme £10.288m
- Use of funds which were originally planned to be shared with GMCA (business rates pilot growth) now used to partly offset the business rates deficit in 2021/22 £6.270m.

5.9. **Budget Smoothing Reserve -** This reserve hold funds made available from rebates from GMCA. The budgeted drawdowns (£3.585m in 2020/21 and £11.266m in 2021/22) will support the overall budget position.

5.10. **Bus Lane Enforcement Reserve -** An amount of £3.092m for 2020/21 and £5.092m in 2021/22 is to be used to contribute towards the costs of the transport levy.

5.11. **Capital Fund** – proposed use of the Capital Fund to support the revenue budget of £7.763m for 2021/22 as part of the measures to close the budget deficit arising from COVID-19.

5.12. **Airport Dividend Airport Dividend Reserve** - Pre COVID- 19 the budget position had prudently only used £15m of the annual dividend received in year and placed the remainder (£55m) in the airport reserve for use in future years. It would not be prudent to assume any dividend income will be received until at least 2023/24. The reserve balance at the start of 2020/21 is £55.8m. It is proposed this is used over three years as shown below, to partly mitigate the loss of dividend income.

	2020 / 21 £'000	2021 / 22 £'000	2022 / 23 £'000
Revised proposed use of Airport reserve £55.8m	11,853	4,913	39,043

Reserves applied to support specific spend within Directorate Cash Limit Budgets

5.13. Where reserves are directly applied to specific costs or risks within the Directorate Cash Limit budgets these are shown gross and net in the Directorate cash limit budget total.

5.14. One-off income and social care grants have been used to spread investment over 2-3 financial years. The 2021/22 drawdown is £16.9m. These reserves end the ongoing costs have been built into the Council's Revenue Budget Requirement from 2022/23 and included within the overall budget shortfall in future years. During that period opportunities to reduce the expenditure or top up the reserves from future one off funding will also be explored. These reserves are set out in detail following Table 14.

5.15. A further £57.5m is also being applied in 2021/22 to fund specific costs within Directorate budgets, (note £12.6m of this relates to COVID-19 specific grants being spent across years). Again, further detail is set out after Table 14.

5.16. This brings the total forecast reserves use in 2021/22 to £259.1m (or £97.2m excluding the COVID-19 grants).

5.17. Appendix 3 shows the annual movement and projected balances to April 2025. Earmarked reserves are forecast to reduce from £359m at the start of this year to £98m. The Medium-Term Financial Strategy elsewhere on the agenda considers the adequacy of reserves.

Table 14 Planned use of reserves

Planned use of Reserves	**2020 / 21 £'000**	**2021 / 22 £'000**
Reserves directly supporting the revenue budget:		
COVID-19 Emergency Funding tranche 1	18,200	
Business Rates Reserve	675	155,633
Budget smoothing reserve	3,585	11,266
Bus Lane (supporting Transport Levy)	3,092	5,092
Capital Fund - Supporting the revenue budget		7,763
Airport Dividend Reserve	11,853	4,913
Sub Total reserves directly supporting the revenue budget	**37,405**	**184,667**
Smoothing prior to mainstreaming in 2022/23		
Anti Social Behaviour Team	540	540
Social care Reserve – to fund investment into Children's Social Care	7,757	7,446
Adult Social Care - to fund investment into the Improvement Plan	4,766	6,150
Our Manchester Reserve	771	2,802
Sub Total to be mainstreamed	**13,834**	**16,938**
Bus Lane and Parking reserves	6,401	4,694
Other Statutory Reserves	817	308
Balances Held for PFI's	95	349
Reserves held to smooth risk / assurance:		
Transformation Reserve	1,708	333
Other Reserves held to smooth risk / assurance	3,840	6,717
Reserves held to support capital schemes:		
Capital Fund	21,154	13,137
Investment Reserve	2,531	1,819
Manchester International Festival Reserve	0	1,060
Eastlands Reserve	2,619	5,248
Enterprise zone reserve	75	1,061
Other reserves held to support capital schemes	0	0
Reserves held to support growth and reform:		
Clean City Reserve	435	0
Better Care Reserve	866	3,375
Town Hall Reserve	2,273	3,075
Other Reserves to support growth and reform	0	1,150

Planned use of Reserves	2020 / 21 £'000	2021 / 22 £'000
Direct grants for Grants COVID-19 responsibilities	0	12,588
Grants and Contributions used to meet commitments over more than one year	3,708	1,958
Small Specific Reserves	982	671
School Reserves	259	0
	99,001	**259,149**

5.18. Further detail on the main planned use of reserves is set out in more detail in the following paragraphs.

Smoothing prior to mainstreaming

5.19. **Anti-Social Behaviour Team Reserve** - The Resources and Governance Budget Scrutiny meeting of 25 February 2019 supported an amendment to allocate a budget of £1.5m over three years, to increase the capacity of the Council to tackle anti-social behaviour in neighbourhoods. This was approved by Council 8 March 2019. This budget will be mainstreamed at £495k from 2022/23.

5.20. **Social Care Investment Reserve** – This is made up of two elements:

- The budget strategy for Children's and Education Services was to put the Directorate onto a sustainable footing given the local and national pressures being faced by Children's Social Care Services. Additional resources of £7.135m per annum over three years were approved to address the pressures across all budget areas to provide the capacity that will enable a longer term approach by investing in early help and prevention, alongside evidenced based interventions which support improving outcomes for children and financial sustainability. The reserve drawdowns reflect the last 2 years of funding are provided to support the 2020/21 and 2021/22 budget position. The £7.135m will be mainstreamed from 2022/23.
- The remaining forecast drawdowns of £0.622m in 2020/21 and £311k in 2021/22 relate to small grants which have been carried forward from future years.

5.21. **Adult Social Care Reserve** - This is made up of three elements:

- The 2019/20 budget recognised there was a need to provide a stable funding base for adult social care. Additional grant funding received was combined with a number of other resources to create a reserve to use over a three-year period. In 2020/21 and 2021/22 £2.150m each year will support the programme of improvement work which is underway in order to improve the delivery of the assessment, care and support planning and statutory safeguarding offer and the delivery of the in-house provider services. The £2.150m will be mainstreamed from 2022/23
- Test and Trace Grant £3.1m relating to year 2 of the programme; and
- The remaining 2021/22 forecast drawdown of £4.0m relates to the use of underspends planned to be carried forward from 2020/21 (Public Health

£1.5m and Residential and Nursing £2.5m) as part of the 2021/22 Adult Social Care budget savings strategy.:

5.22. **Our Manchester Reserve -** Investment made available as part of the 2017-2020 budget process to drive forward the delivery of Our Manchester initiatives. The staffing element is expected to be mainstreamed from 2022/23.

Other Use of Reserves within Directorate Cash Limits

5.23. **Bus Lane and Parking Reserve** - There is a statutory requirement to place income generated from on-street parking and bus lane enforcement into separate reserves. These reserves can only be used to fund certain types of highway and environmental improvements or for financial support to off street parking. The expected balance on these reserves at the 1 April 2021 is £11.573m. It is estimated that £10.174m will be added to these reserves during 2021/22 and £5.092m used to support the transport levy and £4.694m to fund eligible spend with the Neighbourhoods directorate. This would leave a balance of £11.961m at the 31 March 2022.

5.24. **Transformation Reserve** - An amount of £1m over three years (2020/21 to 2022/23 at £0.333m per year was approved last year to support volunteer engagement, provide programme management capacity and specialist support for the transformation programme. This reserve will also fund the Voluntary Severance costs of the time limited efficiency scheme in 2020/21, currently estimated at £1.375m

5.25. **Capital Fund** - This is used to fund activity and contribute to schemes which are being brought Capital Programme and to fund high priority strategic development opportunities in the city for those that do not attract external funding.

5.26. **Investment Reserve** - This is used to fund housing and regeneration activities, including staffing costs to provide the capacity to deliver the Affordable Housing Strategy and other relevant priorities.

5.27. **Manchester International Festival (MIF) Reserve** - From 2021/22 the Council has committed to maintaining funding of £1.5m per annum to support the Factory /Manchester International Festival as part of the commitment to match the revenue support from Arts Council England (ACE), currently c£9m each year. It is proposed that £0.5m per annum will be retained in the mainstream budget with the remaining requirement held in reserve to cover ten years of funding.

5.28. **Eastlands Reserve** - This reserve will be used for various projects including English Institute of Sport and Sport England. The reserve also reflects Manchester City Football Club income contribution.

5.29. **Clean City Reserve** – The remaining balance was used in 2020/21 to support clean and green initiatives including litter bin installations, park clean ups, knotweed and hogweed clearances and other waste and recycling activities.

5.30. **Better Care/Integration Reserve** - The reserve is a joint resource between Manchester City Council and Manchester Health and Care Commissioning to support the infrastructure requirements that underpin the mobilisation of the Locality Plan and is currently managed with the pooled budget.

5.31. **Town Hall Reserve** - The refurbishment of the Town Hall has revenue implications such as the cost of alternative accommodation and loss of income over a number of years; offset in part by reduced spend on maintenance and utilities. It has previously been approved that savings in Minimum Revenue Provision (MRP) be used to fund the revenue costs.

5.32. **Direct grants for Grants COVID-19 responsibilities** - As reported in the period 9 Global monitoring elsewhere on the agenda grants totalling £56m have been received from government for specific responsibilities relating to the COVID-19 pandemic. Whilst the majority of the funding will be used in this financial year the costs incurred will go beyond 31 March and it is anticipated that £12.6m of these grants will be carried forwards to fund eligible costs in 2021/22. These are:

- Contain Outbreak Management Fund £3.102m
- Test and trace service £8.852m
- Clinically extremely vulnerable individuals advised to shield £0.502m
- Reopening High Streets Safely Fund £132k

5.33. The forecast movements on reserves would result in year end balances as shown in the table below and detailed by reserve in Appendix 3.

Table 15 Forecast reserves position

	Opening Balance 1 April 2020 £'000	**Forecast Opening Balance 1 April 2021 £'000**	**Forecast Opening Balance 1 April 2022 £'000**	**Forecast Opening Balance 1 April 2023 £'000**	**Forecast Opening Balance 1 April 2024 £'000**	**Forecast Opening Balance 1 April 2025 £'000**
HRA Reserves	**111,871**	**116,848**	**97,657**	**83,669**	**86,064**	**84,994**
School Reserves	**15,993**	**15,734**	**15,734**	**15,734**	**15,734**	**15,734**
Earmarked Reserves	**348,706**	**515,389**	**277,655**	**157,178**	**124,994**	**97,782**
General Fund	**21,353**	**25,000**	**25,000**	**25,000**	**25,000**	**25,000**

6. Directorate Cash Limit Budgets

6.1. Each Directorate has to manage their budget within the cash limit. This is reviewed each year and for the period of the current Medium Term Financial Strategy includes the recommended budget cut proposals, the ongoing impact of COVID-19 and other adjustments including for increased demand or demographic growth. Funding for inflation and pay awards is held corporately and allocated on the basis of need. The changes and recommended revised cash limit budgets are shown in the table below. Full details of the budget cuts proposals are included at Appendix One.

6.2. The table also shows the recommended contribution for Adult Social Care to the pooled budget arrangements for 2021/22. Unlike the city council cash limits this also includes the funding for inflation and to meet the increased workforce and commissioning costs of the increases to the national minimum wage. The arrangements for the Health and Social Care pooled budget in 2021/22 are currently being finalised with the Adult Social Care budgets likely to be included in a separate S75 agreement with the Manchester Foundation Trust and managed by the Manchester Local Care Organisation.

Table 16 Change from 2020/21 Cash Limit budget to 2021/22 Cash Limit budget

	Revised Budget 2020 / 21 £'000	Savings £'000	COVID-19 Adj. £'000	Growth / Other Adj. £'000	Proposed 2021 / 22 £'000
Children's	125,093	(12,359)	3,800	2,227	118,761
MHCC Pooled Budget	213,997	(11,597)	13,464	3,047	218,911
Adult Social Care - Services out of scope of Pooled Budget	4,856				4,856
Homelessness	15,521	(2,335)	6,823	7,486	27,495
Corporate Core	70,461	(5,719)	1,209	(450)	65,501
Neighbourhoods	65,353	(6,683)	5,635	230	64,535
Growth and Development	8,856	(2,024)	3,750	0	10,582
Total	**535,117**	**(40,717)**	**3,701**	**12,540**	**510,641**

Children's Services

6.3. Overall the cash limit budget will reduce by £6.3m to £118.8m. This includes:

- £12.359m of budget cuts as set out in Appendix One
- £3.8m additional funding to meet the anticipated costs of increased demand pressures following the impact of COVID-19
- £2.227m to meet the estimated increase in the number of Looked After Children linked to population growth. Full details of the above can be found in the Children's Services budget report.

6.4. Full details can be found in the Children's Services budget report elsewhere on the agenda.

MCC Pooled Budget

6.5. Overall, the planned contribution to the Health and Social Care pooled budget will increase by £4.9m. This is £11m growth after the budget virement for Homelessness is taken into account. This includes:

- £11.597m of budget cuts as detailed in Appendix 1. The target was originally £20m which has been reduced to take into account the investment from the proposed 3% adult social care precept, and use of £3.3m of the social care grant to meet care budget pressures.

- £13.464m to cover the estimated ongoing costs from COVID-19. This is to cover the full year effect of the cost of discharges (£9.3m), costs for Personal Protective Equipment (£2.5m), social work capacity (£0.8m) and population health (£0.8m)
- £3.047m of Other Adjustments -
    - Increased demand associated with population growth (£2.831m);
    - The costs of non-pay inflation and an allowance for the National Living Wage (NLW) increase (£3.621m). This figure has been adjusted for the changes to NLW (to increase to £8.91 an hour, up 2.2%. Previously expected to be £9.21) and for the public sector pay freeze. If the position on public sector pay changes then any pay award will be funded.
    - £2.690m balance of the social care grant, allocated for investment as detailed in the Adult Social Care and Population Health Budget 2021/22
    - Less the budget transfers to the Homelessness budget totalling £6.1m including £5.922m for the Homelessness Commissioning function and £173k for the Homelessness Assessment and Care workers function.

6.6. Full details can be found in the Adult Social Care and Population Health Budget 2021/22 report elsewhere on the agenda.

Homelessness

6.7. Overall the cash limit budget has increased by £12m to £27.5m. The actual growth is £8.2m after the budget virement has been taken into account. This includes:

- £2.335m of budget cuts as set out on Appendix one.
- £6.823m COVID-19 adjustments - This includes the potential homelessness related economic impact of Covid-19 on individual households, such as unemployment and debt arrears.
- £7.486m Other adjustments
    - £1.391m to support the ongoing increase in the numbers of people sleeping rough due to the economic impact of the pandemic and the lifting of the eviction embargo, funding 5 additional properties for temporary accommodation.
    - £6.095m Budget transfers from Adult Social Care budget including £5.922m for the Homelessness Commissioning function and £173k for the Homelessness Assessment and Careworkers function.

6.8. Full details can be found in the Homelessness Budget report elsewhere on the agenda.

Corporate Core

6.9. Overall the cash limit budget has reduced by £4.96m to £65.5m. The changes include:

- £5.719m of budget cuts as set out in Appendix one.
- £1.209m COVID-19 adjustments for pressures as follows:
    - £113k Elections - additional costs will be incurred in order to ensure that the election is Covid secure, this will include the purchase of additional screens and enhanced cleaning.
    - The Coroners Service will have a backlog of Jury cases in 2021/22 and the forecast cost implications of these are £131k
    - £0.965m - for COVID-19 related income losses including court summons income, communications, legal services and registrars. Note this will be partly reimbursed through the governments Sales, Fees and Charges support scheme.
- £450k of Other Adjustments:
    - Reduced revenue budget of £0.5m for the Manchester International Festival; to be funded via the reserve rather than the revenue budget.
    - Additional budget support of £50k has been provided to support young people obtaining employment as part of the Kickstart programme. This will enable the young people on placements to be paid the Manchester Living Wage.

6.10. Full details can be found in the Corporate Core Budget report elsewhere on the Agenda.

Neighbourhood Directorate

6.11. Overall the cash limit budget has reduced by £0.8m to £64.5m. This includes:

- £6.683m of budget cuts as set out at Appendix One.
- £5.635m COVID-19 pressures including:
    - Leisure Centres - financial support following the shortfall of income for the external operator due to the initial closure of facilities and subsequent reduced capacity. A bid of £1.3m has been made to Sport England and it is proposed a further £1.2m is made available from Council resources. Work is ongoing with the contractor to identify any options for mitigating any additional pressures.
    - £1.599m estimated income shortfalls in trading services. £2.836m for the Highways service for assumed ongoing reductions to parking income, specifically reduced off street parking income following lockdown and fees and permit income
- £230k other Adjustments relates to an increase in the investment into a new approach to Domestic Violence support, from £100k to £330k. Investment will support earlier identification and intervention working with key partners and agencies.

6.12. Note it is expected the COVID-19 related trading income and parking losses will be partly reimbursed through the governments Sales, Fees and Charges support scheme. The Leisure losses are not eligible for this scheme because they are provided by an external operator.

6.13. Full details can be found in the Neighbourhoods Budget Report elsewhere on the Agenda.

Growth and Development

6.14. Overall the cash limit budget increased by £1.7m to £10.6m. This includes
- £2.024m of savings as set out in Appendix one.
- £3.750m for ongoing COVID-19 related budget pressures, relating to reduced income assumptions as follows:
  - £0.751m Planning Building Control and Licensing
  - £2.999m Investment Estate income, This is mainly due to tenants not being in a position to pay their rents because their businesses have been impacted by Covid-19.

6.15. Note it is expected the COVID-19 related Planning Building Control and Licensing losses will be partly reimbursed through the governments Sales, Fees and Charges support scheme. The investment estate losses are not eligible for this scheme because the government classes them as commercial income.

6.16. Full details can be found in the Growth and Development budget report elsewhere on the Agenda.

6.17. The cash limit budgets, incorporating these changes, for approval are set out in the table below, further detail is contained within the Directorate Reports. The figures in the table do not include the waste levy of £28.731m in 2021/22 which is shown against Corporate Items but will be monitored by the Neighbourhoods Directorate.

Table 17 Gross and Net Budgets Directorates Cash Limit Budgets 2021/22

	Gross Proposed Budget 2021/22 £'000	**Net Proposed Budget 2021/22 £'000**
Children's	509,879	118,761
Health and Social Care Pooled Budget contribution for ASC	273,383	218,911
Adult Social Care - Services out of scope of Pooled Budget	7,781	4,856
Homelessness	56,087	27,495
Corporate Core	323,773	65,501
Neighbourhoods	168,588	64,535
Growth and Development	58,508	10,582
Total	**1,397,999**	**510,641**

7. Workforce Implications

7.1. In response to the pandemic the council's workforce has transitioned almost overnight to a new way of working, at a pace of change that would normally take years to achieve. The Our People Strategy is being reviewed to ensure it reflects the strategic priorities of the Council Some of the key actions are:

- A refreshed focus on health and wellbeing, especially mental health.
- The commitment to ensure that our workforce reflects our diverse communities, and this is strengthened through the Workforce Equality Strategy.
- A comprehensive management development offer that provides managers with the basic skills, tools, and training to ensure they know what is expected of them, whilst supporting their own staff to develop and increase talent across the council.
- A coordinated staff engagement programme supporting the workforce through corporate and directorate-based engagement that is clearly connected to the staff surveys, Listening in Action, and corporate reward and recognition.
- Commitment to develop the digital skills of our staff to ensure they can access and benefit from the full range of support, and rewards and benefits. The ambition for our workforce will mirror that for our residents.

7.2. The budget proposals will also have a direct workforce impact. In order to support the delivery of the required budget there will be a need to deliver savings of £5.442m from the workforce. This will require an indicative FTE reduction of 161 positions – split between vacant and occupied posts as detailed within the table below. It should be noted that this is an indicative FTE reduction and the exact number and split between vacant and occupied posts will be determined as the workforce savings proposals are implemented. The detailed proposals are set out within the individual Directorate Budget Reports.

7.3. To support the achievement of the workforce savings an Efficiency Early Release Scheme (comprising Efficiency Severance and Early Retirement) was approved by Personnel Committee in November 2020. The scheme has now closed. The progress of the scheme in achieving savings is being kept under close review but will be dependent on the numbers of staff accepting their offers and the ability of the organisation to facilitate workforce movement where required. It should also be noted that the applications relate to both mainstream and non-mainstream funded positions and generally only mainstream funded positions contribute to the budgeted workforce savings target. However, non-mainstream funded positions are still considered for release where they serve to alleviate what would otherwise be cost pressures to the Council.

7.4. As set out earlier in the report the voluntary severance costs associated with the scheme are being met from reserves in 2020/21. The capital costs will be met from the allowance within the LGPS with any additional costs also being met from reserves.

Table 18 Workforce numbers savings proposals

Directorate	2020/21 Budgeted Posts	2020/21 Saving Proposals Gross FTE Impact (Indicative)					
		Vacant Posts		Occupied Posts		Total	
	FTE	FTE	£'000	FTE	£'000	FTE	£'000
MHCC Pooled Budget	1,529.11	0.0	0	0.0	0	0.0	0
Adult Social Care – Services out of scope of Pooled Budget	52.50	0.0	0	0.0	0	0.0	0
Homelessness	276.00	3.0	89	4.0	159	7.0	248
Children and Education Services	1,316.00	8.5	191	5.5	247	14.0	438
Corporate Core	1,733.25	53.8	1,978	61.8	2,015	115.6	3,993
Neighbourhoods (including Highways)	1,470.00	0.0	0	2.0	64	2.0	64
Growth and Development	650.40	22.4	699	0.0	0	22.4	699
Total	**7,027.26**	**87.7**	**2,957**	**73.3**	**2,485**	**161.0**	**5,442**

7.5. The progress of Health and Social Care Integration has continued with further new models of delivery implemented across the locality. The Manchester Health and Care Commissioning (MHCC) partnership will need to be reviewed as the NHS further progresses national work to change the model of commissioning health services. This will fundamentally change the role of CCGs and has already seen the establishment of the Manchester Partnership Board to oversee strategic commissioning of health and social care within the Manchester Locality. A more local review of the progress towards an integrated HSC system has also seen the development of a set of proposals to 'supercharge' the MLCO – and the impacts of this, and the changes for Manchester CCG will likely result in further changes to our partnership delivery models.

8. Equality Impact Assessments

8.1. The Council will continue to use its Equality Impact Assessment (EIA) 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.

8.2. The Council's Equality Impact Assessment (EIA) framework was adjusted in 2020 and consists of a two-tiered equality analysis methodology:

- A brief Equality Relevance Assessment tool helps services to assess whether there is any relevance to equality stemming from their functions, where this is not immediately clear.

- Where there is a demonstrable relevance to equality issues, services are required to complete a more detailed Equality Impact Assessment, to establish the nature of any impacts arising and to help inform what action can be taken to avoid a disadvantageous impact.

8.3. Services are well into the process of completing and approving their budget-related equality analyses where these are relevant. Quality assurance, guidance and coordination is being provided to manage the process.

8.4. As EIAs are completed, officers are conducting a read-across the findings to produce a cumulative assessment. This will seek to assess the effects that the combined proposals will have on the various characteristic groups in Manchester, and stress-test the gathered mitigations from the EIAs to ensure that they are viable in the round.

8.5. A report outlining the EIA process in more detail is being considered by the Communities and Equalities Scrutiny Committee at its meeting of 11 February. The cumulative impact document has been requested by Resources and Governance Scrutiny Committee at its March meeting.

9. Consultation

9.1. A public consultation is currently underway asking residents for their views on the Council's 2021/22 budget savings options. The consultation opened on 20 January 2021 and runs for a period of four weeks, closing on 21 February 2021. In addition to promotion via the Council's website, social media channels and e-bulletins, a consultation toolkit has been shared with community partners, voluntary and community sector partners, Councillors and key stakeholders to ensure that the consultation is promoted widely within our communities.

9.2. The consultation can be found at www.manchester.gov.uk/budget. The results will be shared at the Budget Resource & Governance Scrutiny Committee on 1 March 2021.

10. Conclusion

10.1. 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 has been rising. The impact of COVID-19 has been profound and whilst a high proportion of the costs have now been recognised and funded for 2021/22 with further compensation for the impact on sales, fees and charges, the loss of commercial income has not been recognised. This has led to a significant budget gap in 2021/22 and in future years.

10.2. The budget cuts required over the next year will be challenging to deliver at a time when capacity is stretched and total £40.7m. Proposals have been identified and officers have satisfied themselves with the robustness of the planned service changes and their broad deliverability.

10.3. The Council remains committed to the priorities within the Our Manchester strategy and the Council's revised corporate plan. The draft budget is based on the best information available to date, however there will be potential changes arising from other government funding announcements, such as Public Health.

10.4. Whilst a balanced budget can be delivered for 2021/22, the future financial position remains challenging, and the resilience of the Council has been significantly reduced by the need to use its reserves to support the budget position.

11. Recommendations

11.1. Detailed recommendations appear at the front of this report.

Appendix 1 - Savings and Efficiency Proposals 2020/21

Adults Services

Service Area	Description of Saving	Rag Impact	20/21 £000	22/23 £000	23/24 £000	24/25 £000	Total	FTE's
Adults Services	Better Outcomes Better Lives	Amber	6,097	7,003	5,300	0	18,400	0
Adults Services	Health and Social Care System Support	Green	5,500	(5,500)	0	0	0	0
Adults Services	To be identified		0	1,823	(1,823)	0	0	0
Total			**11,597**	**3,326**	**3,477**	**0**	**18,400**	**0**

Children Services

Area	Description of Saving	Rag Impact	20/21 £000	22/23 £000	23/24 £000	24/25 £000	Total	FTE's
Children's Services	Placement Stability	Amber	627	415	0	0	1,042	0
Children's Services	Re-commission – Lyndene	Amber	462	0	0	0	462	0
Children's Services	Multi-Agency Arrangements	Red	1,000	0	0	0	1,000	0
Children's Services	Leaving Care	Green	1,767	0	0	0	1,767	0
Children's Services	Market Development	Red	400	376	0	0	776	0
Children's Services	Unaccompanied Asylum-Seeking Children	Green	515	0	0	0	515	0
Children's Services	Commissioning Review	Amber	300	0	0	0	300	0
Children's Services	Pace Beds	Green	28	0	0	0	228	0
Children's Services	Improving Permanence	Green	160	159	0	0	319	0
Children's Services	Stability Team and Wrap Around Support	Green	300	0	0	0	300	0
Education	Premises	Green	129	0	0	0	129	0
Education	Attendance	Green	70	0	0	0	70	0
Core	Business Support	Amber	130	0	0	0	130	0
Children's Services	Adoption Services	Green	357	0	0	0	357	0
Education	SLA Schools	Amber	30	0	0	0	30	0

Area	Description of Saving	Rag Impact	20/21 £000	22/23 £000	23/24 £000	24/25 £000	Total	FTE's
Children's Services	Families First	Green	445	0	0	0	445	0
Children's Services	Section 17	Green	50	0	0	0	50	0
Children's Services	No Recourse to Public Funds	Amber	600	0	0	0	600	0
Children's Services	Workforce Development	Green	140	0	0	0	140	0
Children's Services	Legal - Fees reduction	Amber	260	0	0	0	260	0
Education	Schools Quality Assurance	Red	300	(150)	0	0	150	0
Education	Free Travel	Green	400	0	0	0	400	0
Core	Strategic Business Support	Amber	80	0	0	0	80	1.5
Children's Services	CAMHS	Amber	148	0	0	0	148	0
Children's Services	Early Years – Core offer, Speech & Language	Amber	200	100	100	100	300	12.5
Children's Services	Managing Demand	Red	1,000	0	0	0	1,000	0
Children’s Services	Troubled Families	Amber	1,150	(1,150)	0	0	0	0
Education	DSG reserve	Green	1,000	(1,000)	0	0	0	0
Children's Services	Children's Services Reserve	Green	311	(311)	0	0	0	0
Children's Services	Children's Services Reserve	Green	0	1,409	(1,409)	0	0	0
Total			**12,359**	**(152)**	**(1,309)**	**100**	**10,998**	**14**

Corporate Core

Service	Description of Saving	RAG Impact	20/21 £000	22/23 £000	23/24 £000	24/25 £000	Total	FTE's
Legal Services	Staff Reduction	Green	96	0	0	0	96	3.0
Legal Services	Increased income and other budget reductions	Green	49	25	0	0	74	0.0
Coroners and Registrars	Staff Reduction	Green	198	0	0	0	198	7.0

Service	Description of Saving	RAG Impact	20/21 £000	22/23 £000	23/24 £000	24/25 £000	Total	FTE's
Executive	Travel/subsistence expenses reductions	Green	15	0	0	0	15	0.0
Comms	Staff Reduction	Amber	137	0	0	0	137	4.0
Comms	Reduce printing costs, increase recharges and postage	Green	163	0	0	0	163	0.0
Procurement, Commissioning and Commercial Governance	Staff Reduction	Red	122	0	0	0	122	2.0
Procurement, Commissioning and Commercial Governance	Increase income and reduce supplies and services	Amber	36	0	0	0	36	0.0
Revenues and Benefits	Staff Reduction	Red	160	0	0	0	160	5.5
Revenues and Benefits	Reduce Discretionary Housing Payments	Red	1,000	0	0	0	1,000	0.0
Financial Management	Staff Reduction	Amber	843	0	0	0	843	20.0
ICT	Staff Reduction	Amber	400	0	0	0	400	10.0
ICT	Savings on system running costs and telephony	Amber	300	300	0	0	600	0.0
HR/OD	Staff Reduction	Amber	306	237	0	0	543	13.0
Audit	Staff Reduction	Amber	118	0	0	0	118	3.0
Shared Service Centre	Staff Reduction	Green	252	0	0	0	252	8.8
Customer Services	Staff Reduction	Amber	614	0	0	0	614	19.3
City Policy	Staff Reduction and special projects budget	Amber	270	0	0	0	270	4.0
PRI	Staff Reduction	Red	500	0	0	0	500	13.0
Reform and Innovation	Staff Reduction	Red	140	0	0	0	140	3.0
Totals			**5,719**	**562**	**0**	**0**	**6,281**	**115.6**

Homelessness Services

Area	Description of Saving	Rag Impact	20/21 £000	22/23 £000	23/24 £000	24/25 £000	Total £000	FTE's
Singles Accommodation	New Provision Rough Sleepers, utilising established schemes and ensuring there is move on available through the system	Amber	1,400	0	0	0	1,400	0.0
Homelessness Commissioning	Realign service provision to support move on from single rough sleeper provision funded via investment	Amber	621	0	0	0	621	0.0
Homelessness Commissioning	Budget reductions in Homelessness Commissioned services with minimal impact on service delivery	Amber	66	0	0	0	66	0.0
Homeless Management	As part of 2020/21 funding was assigned for 3 FTE grade 10 posts to lead on the service redesign, this work will now be undertaken within existing resources	Amber	89	0	0	0	89	3.0
Homeless Management	Management reductions for G10 and above	Amber	108	0	0	0	108	2.0
Families Specialist Accommodation	Full service redesign linked to VS/VR offer	Amber	51	0	0	0	51	2.0
Total			**2,335**	**0**	**0**	**0**	**2,335**	**7.0**

Growth and Development

Service	Description of Saving	RAG Impact	20/21 £000	22/23 £000	23/24 £000	24/25 £000	Total £000	FTE's
Operational Property	Reduce office costs through reduced estate	Green	610	591	304	-905	600	0.0
Operational Property	Reduce staff resources – 1.4fte's (Vacant)	Green	36	0	0	0	36	1.4
Facilities Management	Reduce staff resources – 10fte's (Vacant)	Green	270	0	0	0	270	10.0
Investment Estate	Revise Surveyors Fee Scales	Green	75	0	0	0	75	0.0
Investment Estate	Maximise income generation from assets	Green	300	0	0	0	300	0.0
Investment Estate	Increased ground rent - long leasehold	Amber	0	0	300	0	300	0.0
Planning, Licensing and Building Control	Hold/delete 11 vacant posts	Amber	393	0	0	0	393	11.0
Housing and Residential Growth	Additional income from housing redevelopment	Green	190	0	0	0	190	0.0
Work and Skills	Reduction in commissioning activity	Green	150	0	0	0	150	0.0
Total			**2,024**	**591**	**604**	**-905**	**2,314**	**22.4**

Neighbourhoods

Service Area	Description of Saving	Rag Impact	20/21 £000	22/23 £000	23/24 £000	24/25 £000	Total £000	FTE's
Compliance	Outsource the Animal Welfare Service	Amber	64	0	0	0	64	2
Compliance	Increase income from fines & advice	Amber	80	0	0	0	80	0

Service Area	Description of Saving	Rag Impact	20/21 £000	22/23 £000	23/24 £000	24/25 £000	Total £000	FTE's
Compliance	Use EU exit funding to fund 3 posts for 1 year	Amber	137	-137	0	0	0	0
Compliance	Source volunteers to work a 4 day week	Amber	20	0	0	0	20	0
Parks, Leisure, Youth and Events	Prioritise £12m capital investment to generate income streams	Red	127	100	100	100	427	0
Parks, Leisure, Youth and Events	Develop a strategy for Leisure collaborations	Red	0	155	0	0	155	0
Operations and Commissioning	Bereavement Services above inflation increase in fees & charges	Green	85	0	0	0	85	0
Operations and Commissioning	Renewal of small format advertising contract	Green	1,300	0	0	0	1300	0
Operations and Commissioning	Piccadilly Gardens community scheme	Red	225	225	0	0	450	0
Operations and Commissioning	Dawson Street large format advertising screen	Amber	50	0	0	0	50	0
Highways	Off street parking	Green	4,100	0	0	0	4100	0
Highways	Reduction in claims for accidents & trips	Green	100	150	0	0	250	0
Highways	Charge 50% of Development Specialist to capital	Green	40	0	0	0	40	0
Highways	Bring in a new service to recover costs for damaged highway items	Amber	25	0	0	0	25	0

Service Area	Description of Saving	Rag Impact	20/21 £000	22/23 £000	23/24 £000	24/25 £000	Total £000	FTE's
Highways	Increase charges for permits	Green	25	0	0	0	25	0
Highways	Recharge developers for oversail of the highway	Green	50	0	0	0	50	0
Highways	Additional winter gritting service to 3rd parties	Amber	25	0	0	0	25	0
Highways	Charge remaining 50% of Gully/Drainage staff to capital	Green	66	0	0	0	66	0
Highways	Increase fees to cover costs on external schemes	Green	164	0	0	0	164	0
Total			**6,683**	**493**	**100**	**100**	**7,376**	**2**

Appendix 2

Legal Background to Setting the Revenue Budget and Council Tax

1. INTRODUCTION

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

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

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

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

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

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

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

2. <u>STAGE 1 - THE COUNCIL TAX REQUIREMENT</u>

2.1 Members should note that the Localism Act 2011 amended the Local Government Finance Act 1992 ("LGFA 2011") to introduce a duty to calculate a "council tax requirement".

2.2 Section 31A of the LGFA 1992 requires the Council to make three calculations, in effect -

(i) an estimate of the Council's gross revenue expenditure - Section 31A(2);

(ii) an estimate of anticipated income - Section 31A(3)

(iii) a calculation of the difference between (i) and (ii) above, (i.e. net revenue expenditure) - Section 31A(4) – this is known as the **council tax requirement.**

2.3 More specifically, in its Section 31A(2) calculation of gross expenditure the Council should include -

(a) estimated revenue account expenditure to be incurred during the year;

(b) an appropriate allowance for contingencies (i.e. an allowance for unforeseen events);

(c) any raising of reserves for future years (e.g. payments into special funds);

(d) any estimated revenue account deficit for previous years not already provided for;

(da) any amount estimated to be transferred from the general fund to the collection fund in accordance with regulations in respect of business rates.

(e) any amount estimated to be transferred from the general fund to the collection fund on account of the Council's share of any collection fund deficit

(f) an estimate of certain amounts to be transferred to the collection fund pursuant to a direction of the Secretary of State (e.g. any estimated shortfall in collection of Business Rates in excess of allowance for non-collection).

2.4 The Section 31A(3) calculation is the aggregate of the sums to be set off against gross expenditure, namely -

(a) estimated income from fees, charges, specific grants, and revenue support grant (RSG).

(aa) any amount estimated to be transferred from the collection fund to the general fund in accordance with regulations in respect of business rates

(b) any amount estimated to be transferred from the collection fund to the general fund on account of the Council's share of any collection fund surplus

(c) an estimate of certain transfers from the collection fund to the general fund e.g. allowance for costs of collecting business rates;

(d) any amount of reserves/balances intended to be used towards meeting revenue expenditure

2.5 Section 31A(4) then requires the calculation under Section 31A(3) to be subtracted from that under Section 31A(2) to produce a calculation of estimated net expenditure known as the **council tax requirement**.

2.6 These calculations must be made before 11 March, although they are not invalid merely because they are made on or after that date. However, until the calculations are made any purported setting of the Council Tax will be treated as null and void.

2.7 It should be noted that the general fund has to stand the cost of any temporary lending to the collection fund to cover late payments/non-collection.

2.8 It should be noted that significant amounts of expenditure are financed through government grants (such as the Dedicated Schools Grant for schools budget related expenditure) and not directly through council tax. Such expenditure will be calculated under Section 31A(2)(a) and will be offset by the specific grants which will be included in the calculation under Section 31A(3)(a).

2.9 It should be noted that the Local Government Finance Act 2012 enables the Council to retain around half of Manchester's business rates income, rather than this being paid into a central government pool and redistributed. This will involve a separate calculation under Section 31A (3) (aa)

3. <u>THE LEVEL OF THE COUNCIL TAX REQUIREMENT</u>

3.1 The level of the Section 31A calculations, and in particular the calculation of the council tax requirement is of crucial importance both legally and financially. In particular -

- the amount of the council tax requirement must be sufficient to meet the Council's legal and financial commitments and ensure the proper discharge of its statutory duties.

- the amount of the council tax requirement must ensure a balanced budget.

- the amount of the council tax requirement must leave the Council with adequate financial reserves.

- the level of the council tax requirement must not be unreasonable having regard to the Council's fiduciary duty to its Council Taxpayers and ratepayers.

- the amount of the council tax requirement will be relevant to the question of whether or not the Council is required to hold a council tax referendum (see paragraph 5).

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

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

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

4.2 **Section 31B Calculation**

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

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

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

4.3 **Council Tax Base**

The council tax base is basically the Band D - equivalent number of properties in the City adjusted to take account of discounts premiums and reductions and multiplied by the estimated collection rate. The City Treasurer (in consultation with the Executive Member for Finance and Human Resources) acting under delegated powers has calculated the council tax base for 2020/21 to be 118,864.8. It should be noted that the basis of calculations has changed as a result of localisation of council tax support and that the effect of the authority's council tax reduction scheme operates to reduce council tax base.

4.4 **Section 36 Calculation**

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

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

4.5 The proportions for each band are as follows:-

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

5. **COUNCIL TAX REFERENDUMS**

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

5.2 The provisions require the Council to determine whether its “basic amount of council tax” for a financial year is excessive. This question must be decided in accordance with a set of principles determined by the Secretary of State. The Secretary of State had indicated the principles he was minded to set. In relation to all principal authorities, such as Manchester, an increase of more than 4.0%, (including 2.0% for adult social care) is deemed “excessive” in 2021/22. The Council element is only increasing by 1.99% in 2020/21 not 2.0%. All figures are based on an increase in an authority’s “***basic amount of council tax”*** between 2017/18 and 2020/21. The definition of “basic amount” is set out in Section 52ZX, LGFA 1992.

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

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

6. **STAGE 3 - SETTING THE COUNCIL TAX**

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

6.2 Section 30 of the 1992 Act provides that the amounts set for each band will be the aggregate of the City element for each band calculated under Section 36 and the amount calculated for each band by each of the major precepting authorities.

6.3 The council tax must be set before 11 March (i.e. no later than 10 March), although it is not invalid merely because it is set on or after that date.

6.4 The council tax cannot be set before 11 March unless all precepting authorities have issued their precepts; nor can it be set before the Council has made the other required calculations. Otherwise, any purported setting of the tax will be treated as not having occurred.

6.5 The Council has a clear legal duty to set a council tax and a resolution not to set a council tax would be unlawful, being in breach of Section 30, LGFA 1992. So would be a resolution to set a council tax which deliberately did not balance the various calculations.

7. CONSTITUTIONAL ARRANGEMENTS

7.1 Members should note that under the Council's constitutional arrangements, the functions of calculating the council tax requirement and the basic amount of council tax and the function of setting the council tax are the responsibility of the full Council. The function of preparing estimates and calculations for submission to Council is the responsibility of the Executive.

7.2 The Council's Constitution provides a procedure for the resolution of any conflict between the Executive and the Council which gives effect to the Local Authorities (Standing Orders) (England) Regulations 2001. However, this only applies where the estimates and calculations are prepared by the Executive before 12 February. Any conflict can be resolved through the scrutiny process. The Budget and Policy Framework Rules provide that where the Resource and Governance Scrutiny Committee has any objection to the estimates and calculations prepared by the Executive, it will report such objections to the Council, the Leader and the Executive Member for Finance and Human Resources. The Leader and/or the Executive Member will report to the Council whether they agree or disagree with any objection of the Scrutiny Committee.

8. RESTRICTIONS ON VOTING

8.1 Members should be aware of the provisions of Section 106 of the Local Government Finance Act 1992, which applies to members where -

(a) they are present at a meeting of the Council, the Executive or a Committee and at the time of the meeting an amount of council tax is payable by them and has remained unpaid for at least two months, and

(b) any budget or council tax calculation, or recommendation or decision which might affect the making of any such calculation, is the subject of consideration at the meeting.

8.2 In these circumstances, any such members shall at the meeting and as soon as practicable after its commencement disclose the fact that Section 106 applies to them and shall not vote on any question concerning the matter in 8.1 (b) above. It should be noted that such members are not debarred from speaking on these matters.

8.3 Failure to comply with these requirements constitutes a criminal offence, unless any such members can prove they did not know that Section 106 applied to them at the time of the meeting or that the matter in question was the subject of consideration at the meeting.

Appendix 3 – Reserves

Reserve	Closing Balance 2020/21 £000	Withdrawals £000	Additions £000	Closing Balance 2021/22 £000	Closing Balance 2022/23 £000	Closing Balance 2023/24 £000	Closing Balance 2024/25 £000	Purpose
Schools Reserve	**15,734**	0	0	**15,734**	**15,734**	**15,734**	**15,734**	
General Fund Reserves								
Statutory Reserves	**16,471**	(10,094)	10,174	**16,551**	**17,762**	**19,197**	**20,632**	
Earmarked Reserves	**498,918**	(249,055)	11,241	**261,105**	**139,416**	**105,797**	**77,150**	
General Fund Reserve	**25,000**	0	0	**25,000**	**25,000**	**25,000**	**25,000**	
Total General Fund	**540,389**	**(259,149)**	**21,415**	**302,655**	**182,178**	**149,994**	**122,782**	
Housing Revenue Account Reserves:								
Housing Revenue Account General Reserve	**78,355**	(16,957)	0	**61,398**	**47,210**	**49,405**	**48,135**	
Major Repairs Reserve	**2,434**	(2,434)	0	**0**	**0**	**0**	**0**	
HRA PFI Reserve	**10,000**	0	0	**10,000**	**10,000**	**10,000**	**10,000**	
HRA Residual liabilities fund	**24,000**	0	0	**24,000**	**24,000**	**24,000**	**24,000**	
Housing Insurance Reserve	**2,059**	0	200	**2,259**	**2,459**	**2,659**	**2,859**	
Total HRA	**116,848**	**(19,391)**	**200**	**97,657**	**83,669**	**86,064**	**84,994**	
TOTAL RESERVES	**672,971**	**(278,540)**	**21,615**	**416,046**	**281,581**	**251,792**	**223,510**	
SCHOOLS RESERVE								
LMS Reserve	**15,734**	0	0	**15,734**	**15,734**	**15,734**	**15,734**	School balances assumed year-end position. These are not MCC resource and so cannot be used by MCC.
Sub Total Schools	**15,734**	**0**	**0**	**15,734**	**15,734**	**15,734**	**15,734**	

Reserve	Closing Balance 2020/21 £000	Withdrawals £000	Additions £000	Closing Balance 2021/22 £000	Closing Balance 2022/23 £000	Closing Balance 2023/24 £000	Closing Balance 2024/25 £000	Purpose
STATUTORY RESERVES								
Bus Lane Enforcement Reserve	**10,341**	(5,992)	4,695	**9,044**	**8,697**	**8,350**	**8,003**	Ring-fenced reserve which can only be applied to specific transport and highways related activity.
On Street Parking	**1,232**	(3,794)	5,479	**2,917**	**4,810**	**6,789**	**8,768**	Ring-fenced reserve which can only be applied to specific transport and highways related activity.
Ancoats Square Reserve	**2,709**	(118)	0	**2,591**	**2,473**	**2,355**	**2,237**	Received from the Homes and Communities Agency to cover the revenue costs of maintaining Ancoats Square for a period of at least 25 years.
Spinningfields Commuted Sum	**618**	(9)	0	**609**	**600**	**591**	**582**	Funds received as part of an agreement to cover maintenance costs.
Great Northern Square Maintenance Fund	**249**	(20)	0	**229**	**209**	**189**	**169**	Set up in accordance with the agreement with the developers of the site. It will be used for upgrading of the square.
Education Endowments	**17**	0	0	**17**	**17**	**17**	**17**	For future payments for school prizes
Landlord Licensing Reserve	**159**	(111)	0	**48**	**0**	**0**	**0**	Smoothing reserve
Art Fund Reserve	**21**	0	0	**21**	**0**	**0**	**0**	For art purchases

Reserve	Closing Balance 2020/21 £000	Withdrawals £000	Additions £000	Closing Balance 2021/22 £000	Closing Balance 2022/23 £000	Closing Balance 2023/24 £000	Closing Balance 2024/25 £000	Purpose
Manchester Safeguarding	**69**	0	0	**69**	**(0)**	**(0)**	**(0)**	Children's Safeguarding Board activity. The Board is a joint responsibility with MCC & CCG
Hulme High Street	**283**	0	0	**283**	**283**	**283**	**283**	
St Johns Gardens Contingency	**773**	(50)	0	**723**	**673**	**623**	**573**	Contribution from St Johns Gardens tenants for maintenance works
Sub Total Statutory	**16,471**	**(10,094)**	**10,174**	**16,551**	**17,762**	**19,197**	**20,632**	
EARMARKED RESERVES								
BALANCES HELD FOR PFI'S								
Street Lighting PFI	**223**	(223)	0	**0**	**0**	**0**	**0**	Established to fund the requirements over 25 years re: the PFI contract for Street Lighting service via external contractors
Temple PFI	**612**	(84)	11	**539**	**456**	**363**	**233**	Established to fund the requirements of the PFI scheme over 25 years
Wright Robinson PFI Reserve	**1,369**	(42)	40	**1,367**	**1,344**	**1,298**	**1,230**	PFI Scheme 25 year contract drawdown will be in future years as expenditure exceeds grant.
Total held for PFI's	**2,204**	**(349)**	**51**	**1,906**	**1,800**	**1,661**	**1,463**	
Reserves directly supporting the revenue budget								

Reserve	Closing Balance 2020/21 £000	Withdrawals £000	Additions £000	Closing Balance 2021/22 £000	Closing Balance 2022/23 £000	Closing Balance 2023/24 £000	Closing Balance 2024/25 £000	Purpose
Adult Social Care	**13,431**	(9,252)	0	**4,179**	**0**	**0**	**0**	To support Adult and Social Care Improvement Plan
Social Care Reserve	**7,395**	(7,446)	1,557	**1,506**	**0**	**0**	**0**	To address pressures in social care, in particular the need to invest in early help and prevention in Children's Services and continued pressures on LAC budgets
Crime and Disorder	**540**	(540)	0	**0**	**0**	**0**	**0**	To fund the Anti Social Behaviour Team
Budget smoothing Reserve	**14,747**	(11,266)	0	**3,481**	**3,481**	**3,481**	**0**	Planned use to smooth the impact of previous funding reductions on the revenue budget
Total held to support the revenue budget	**36,113**	**(28,504)**	**1,557**	**9,166**	**3,481**	**3,481**	**0**	
RESERVES HELD TO SMOOTH RISK / ASSURANCE								
Risks								
Planning Reserve	**2,704**	(353)	0	**2,351**	**1,875**	**1,395**	**911**	Used to smooth the volatility of planning fee income to avoid budget pressures if fee income drops
Transformation Reserve	**7,775**	(333)	0	**7,442**	**(1,041)**	**(1,376)**	**(1,376)**	To support costs of future service change.

Reserve	Closing Balance 2020/21 £000	Withdrawals £000	Additions £000	Closing Balance 2021/22 £000	Closing Balance 2022/23 £000	Closing Balance 2023/24 £000	Closing Balance 2024/25 £000	Purpose
Airport Dividend Reserve	**43,953**	(4,913)	0	**39,040**	**0**	**0**	**0**	The income in the reserve is from the Manchester airport dividend which is then used a year in arrears to support the Medium Term Financial Plan
Land Charges Fees Reserve	**252**	(50)	0	**202**	**152**	**102**	**52**	To smooth the budget impact, planned to utilise in 2020/21
Pension Risk Fund	**518**	(518)	0	**0**	**0**	**0**	**0**	To fund external pension liabilities
Inspirit Pension Reserve	**15**	0	5	**20**	**25**	**30**	**35**	Relates to potential pension liabilities
Highways Reserve	**0**	0	0	**0**	**0**	**0**	**0**	Funds received as part of developer agreements that will be utilised for highways schemes in future years
Insurance Fund	**18,089**	(500)	0	**17,589**	**14,089**	**13,589**	**13,089**	The insurance fund has been established to fund risks that are self insured.
Fleet Maintenance Reserve	**21**	0	25	**46**	**71**	**1**	**1**	Reserve created for smoothing the impact of vehicle repair and maintenance costs.
Children's Services Reserve	**903**	(88)	0	**815**	**102**	**0**	**0**	The reserve is being held for any unexpected issues arising from Academy transfers given the level of uncertainty around any costs falling to the LA within a short timescale.

Reserve	Closing Balance 2020/21 £000	Withdrawals £000	Additions £000	Closing Balance 2021/22 £000	Closing Balance 2022/23 £000	Closing Balance 2023/24 £000	Closing Balance 2024/25 £000	Purpose
Taxi Licensing Reserve	**396**	(274)	0	**122**	**122**	**122**	**122**	This is a smoothing reserve to equalise the income and expenditure of running the function over financial years. Income ring-fenced by statute.
Newton Heath Market Reserve	**22**	0	0	**22**	**22**	**22**	**22**	To fund the future market provision
Rogue Landlord Reserve	**10**	0	0	**10**	**10**	**10**	**10**	This reserve holds the funding for investigation into poor property conditions in the private rented sector in Manchester with the purpose of improving housing conditions for tenants by enforcing compliance with statutory regulations and standards.
Selective Licensing Reserve	**194**	(181)	0	**13**	**13**	**13**	**13**	Costs for administering the reputable landlord initiative and ensure compliance
Investment Estate smoothing Reserve	**533**	0	0	**533**	**(0)**	**(0)**	**(0)**	To manage budget pressures due to the volatility in investment income.
Homelessness Reserve	**1,500**	(1,500)	0	**0**	**0**	**0**	**0**	To offset potential increases in need / demand
Emergency Planning	**214**	(100)	0	**114**	**14**	**14**	**14**	To support emergency planning
Business Rates Reserve	**196,818**	(158,123)	0	**38,695**	**14,196**	**3,418**	**2,928**	To mitigate Business Rates income risk due to the volatility of assumptions

Reserve	Closing Balance 2020/21 £000	Withdrawals £000	Additions £000	Closing Balance 2021/22 £000	Closing Balance 2022/23 £000	Closing Balance 2023/24 £000	Closing Balance 2024/25 £000	Purpose
Cleopatra Reserve	**663**	(663)	0	**0**	**0**	**0**	**0**	
TOTAL Risk/Smooth	**274,580**	**(167,596)**	**30**	**107,014**	**29,650**	**17,340**	**15,821**	
RESERVES HELD TO FUND CAPITAL SCHEMES AND OTHER SPECIFIC PROJECT RELATED COSTS								
Investment Reserve	**10,396**	(1,819)	0	**8,577**	**6,730**	**4,854**	**3,350**	To deliver priority regeneration projects.
Enterprise zone Reserve	**2,062**	(1,061)	1,500	**2,501**	**2,940**	**3,379**	**4,211**	To underwrite the borrowing costs for development in the Oxford Road Corridor
Capital Fund Reserve	**81,459**	(20,900)	2,890	**63,449**	**33,330**	**19,216**	**2,477**	Contribution to schemes which are supporting employment and growth, future carbon reduction investments and high priority strategic development opportunities in the city .
Capital Financing Reserve	**34,730**	0	0	**34,730**	**34,730**	**34,730**	**29,170**	To reflect increase in borrowing costs due to the Council's capital investment
Manchester International Festival	**12,160**	(1,060)	0	**11,100**	**9,993**	**8,839**	**7,635**	To fund agreed future Manchester International Festivals / Factory grant from the reserve. Grant agreement will be aligned to the Arts Council England funding cycle.

Reserve	Closing Balance 2020/21 £000	Withdrawals £000	Additions £000	Closing Balance 2021/22 £000	Closing Balance 2022/23 £000	Closing Balance 2023/24 £000	Closing Balance 2024/25 £000	Purpose
Eastlands Reserve	**4,092**	(5,248)	5,118	**3,963**	**4,163**	**4,892**	**7,460**	This reserve reflects the contribution from Manchester City Football Club and will be used for various projects including English Institute of Sport.
Total to fund capital scheme and other specific relates costs	**144,899**	**(30,088)**	**9,508**	**124,319**	**91,886**	**75,910**	**54,303**	
RESERVES TO SUPPORT GROWTH AND REFORM								
Integration Reserve	**5,037**	(3,375)	0	**1,662**	**1,556**	**1,171**	**1,171**	The reserve is a joint resource between Manchester City Council and Manchester Clinical Commissioning Group to support the infrastructure requirements that underpin the mobilisation of the Locality Plan.
Town Hall Reserve	**11,457**	(3,075)	0	**8,382**	**5,834**	**1,711**	**0**	To fund commitments for the Town Hall Complex Programme
Troubled Families Reserve	**2,255**	(1,150)	0	**1,105**	**0**	**0**	**0**	This was set up to support the scaling up on the community budgets work and to manage risk of Troubled Families grant ending.

Reserve	Closing Balance 2020/21 £000	Withdrawals £000	Additions £000	Closing Balance 2021/22 £000	Closing Balance 2022/23 £000	Closing Balance 2023/24 £000	Closing Balance 2024/25 £000	Purpose
Our Manchester Reserve	**3,017**	(2,802)	0	**215**	**215**	**215**	**215**	Additional investment made available as part of the 2017-2020 budget process to drive forward the delivery of Our Manchester initiatives
TOTAL	**21,766**	**(10,402)**	**0**	**11,364**	**7,605**	**3,097**	**1,386**	
GRANTS USED OVER ONE YEAR								
English Partnership (Homes and Communities Agency)	**139**	0	0	**139**	**139**	**139**	**139**	HCA approval required to Fund Development appraisal and Eastland's Project team
Contain Outbreak Management Fund (COVID-19)	**8,852**	(8,852)	0	**0**	**0**	**0**	**0**	The government made payments to Local Authorities from the Contain Outbreak Management Fund to support proactive containment and intervention measures
Clinically extremely vulnerable individuals (COVID-19)	**502**	(502)	0	**0**	**0**	**0**	**0**	Government grant being used to provide support, such as access to food deliveries and signposting to local support services, to those most at risk from COVID-19
Other Grants and Contributions - Neighbourhood Services	**13**	(13)	0	**0**	**0**	**0**	**0**	Various local Environment scheme and initiatives i.e. 'clean up campaigns'

Reserve	Closing Balance 2020/21 £000	Withdrawals £000	Additions £000	Closing Balance 2021/22 £000	Closing Balance 2022/23 £000	Closing Balance 2023/24 £000	Closing Balance 2024/25 £000	Purpose
Other Grants and Contributions- Growth and Development	**90**	0	0	**90**	**90**	**90**	**90**	Unspent grants received in previous year
Fraud Fund	**136**	(136)	0	**0**	**0**	**0**	**0**	Unspent grant received in previous year
Deprivation of Liberty Grant	**149**	0	0	**149**	**149**	**149**	**149**	Unspent grant received in previous year
Asylum Seekers	**288**	(96)	0	**192**	**92**	**0**	**0**	This will fund the Local Authority Asylum Support Officer (LAASLO) project.
Collection Initiatives Reserve	**2,474**	(1,345)	0	**1,129**	**0**	**0**	**0**	Small reserves on Corporate Core
MAES Reserve	**1,197**	(500)	0	**697**	**197**	**(303)**	**(340)**	To fund Manchester Adult Education Services (MAES)
Brexit Reserve	**446**	0	0	**446**	**446**	**446**	**446**	To fund BREXIT related costs that fall across more than one year
TOTAL	**14,286**	**(11,444)**	**0**	**2,842**	**1,113**	**521**	**484**	
SMALL SPECIFIC RESERVES								
Nuclear Free Zone	**38**	(5)	0	**33**	**28**	**23**	**18**	General reserve/ GM contributions. At the end of the year any surplus/deficit is adjusted in the reserve

Reserve	Closing Balance 2020/21 £000	Withdrawals £000	Additions £000	Closing Balance 2021/22 £000	Closing Balance 2022/23 £000	Closing Balance 2023/24 £000	Closing Balance 2024/25 £000	Purpose
Carbon Reduction Reserve	**225**	(225)	0	**0**	**0**	**0**	**0**	To fund revenue initiatives which support the target for Manchester to become a zero carbon city by 2038 at the latest and specifically, to support the delivery of the Council's 2020-25 Action Plan
Highways Commuted Sum	**2,634**	(89)	0	**2,545**	**2,456**	**2,367**	**2,278**	To support highways schemes
New Smithfield Market - Car Boot	**20**	(45)	55	**30**	**40**	**50**	**60**	Used to fund repairs and maintenance of facilities for traders.
Cemeteries Replacement	**441**	0	0	**441**	**0**	**0**	**0**	To purchase land for burials
Councils with ALMOs Group (CWAG) Reserve	**71**	(10)	0	**61**	**51**	**41**	**31**	Held in relation to the running costs of the Council With ALMOs Group which is administered by MCC
Graves and Memorials	**97**	0	0	**97**	**97**	**97**	**97**	Money held in trust for repair and development costs for gravestones
Trading Standards Reserve	**133**	0		**133**	**133**	**133**	**133**	Specific grants such as Tobacco control, control of migration etc.
Housing Compliance Reserve (Fixed Penalty Notices)	**484**	(75)	0	**409**	**331**	**331**	**331**	Revenue collected from enforcement activity is ring-fenced to functions related to Housing Compliance.

Reserve	Closing Balance 2020/21 £000	Withdrawals £000	Additions £000	Closing Balance 2021/22 £000	Closing Balance 2022/23 £000	Closing Balance 2023/24 £000	Closing Balance 2024/25 £000	Purpose
Community Safety Reserve	**315**	0	0	**315**	**315**	**315**	**315**	A collection of grants the majority of which require spending plans to be agreed with key partner organisations such as GM Police.
Litter Reserve (Fixed Penalty Notices)	**76**	0	0	**76**	**76**	**76**	**76**	Revenue collected from enforcement activity is ring-fenced to functions related to litter.
Great Ancoats Management Improvement Reserve	**286**	0	0	**286**	**286**	**286**	**286**	Specific reserve for use within defined areas within Great Ancoats. Spending plans still under discussion.
Social Value Fund	**222**	(222)	40	**40**	**40**	**40**	**40**	New Reserves for Social Funding income from successful tenders
Other Small Specific Reserves	**28**	0	0	**28**	**28**	**28**	**28**	Small specific reserves
Total Small Specific Reserves	**5,070**	**(671)**	**95**	**4,494**	**3,881**	**3,787**	**3,693**	
TOTAL EARMARKED RESERVES	**498,918**	**(249,055)**	**11,241**	**261,105**	**139,416**	**105,797**	**77,150**	
Total General Fund Reserves	**556,123**	**(259,149)**	**21,415**	**318,389**	**197,912**	**165,728**	**138,516**	

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Manchester City Council
Report for Resolution

Report to: Children and Young People Scrutiny Committee - 10 February 2021
Executive - 17 February 2021

Subject: Children and Education Services Budget 2021/22

Report of: Strategic Director for Children and Education Services

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Summary

As reported to the Executive on the 16 October 2020 it is anticipated the implications of COVID-19 will have a significant impact on the Council's finances. As a result of additional demand for services and impact on the Council's income (as set out in the November and January reports to Executive and to scrutiny committees) the Council is facing a significant budget gap for 2021/22 onwards. Funding announcements in the government's spending review on 25 November and provisional local government finance settlement on 17th December suggest the Council will not be facing the worst-case scenario for 21/22, which was a shortfall of around £100m. It is now expected that savings in the region of £41m, as previously identified, will be sufficient. This report provides a further updated Children and Education Services 2021/22 budget proposals that reflect the feedback and decision(s) from the scrutiny and Executive meetings that were held in January 2021.

This report outlines the financial management and leadership of the Directorate's budget, the financial position which includes demography, growth of demand and a series of savings options proposed by officers aligned to the remit of the Children and Young People Scrutiny Committee to contribute to the Council's duty to achieve a balanced budget in 2021/22. The report also sets out the impact the options will have on residents and the workforce.

The 2020/21 Dedicated School Grant notification was received on the 17th December 2020 and totals £602.626m. The overall increase in grant since last year is £42.477m. The biggest change in the grant is due to 2% per pupil related increase in part of the grant that supports primary and secondary schools, transfer of Teacher's Pay and Pension Grants and £9.773m uplift (not including the teacher's pay and pension grant transfer) in the high needs block. The proposed Schools Budget for 2020/21 has been agreed in consultation with Schools Forum on the 18th January 2021 and is reported on in a separate report to this meeting.

The Council's budget proposals for 2021/22 and onwards will be subject to further refinement following feedback from public consultation which is set to close on the 21 February 2021.

Recommendations

Scrutiny Committee members are asked to consider the content of this report and comment on the propositions, challenges, priorities and opportunities which are outlined throughout the body of the report.

The Executive is recommended to approve these budget proposals.

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 report 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	Effective Children and Education Services are critical to ensuring our children are afforded opportunities and supported to connect and contribute to the city's sustainability and growth.
A highly skilled city: world class and home grown talent sustaining the city's economic success	Ensuring children and young people are supported and afforded the opportunity to access and achieve in the City; empowered and supported by the delivery of a strong and cohesive system that works for all children.
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	Improving education and social care services that are connected to the wider partnership build the resilience of children and families needed to achieve their potential and be integrated into their communities
A liveable and low carbon city: a destination of choice to live, visit, work	Improving outcomes for the children and families across the City, helps build and develop whole communities and increases the liability of the City
A connected city: world class infrastructure and connectivity to drive growth	Successful services support successful families who are able to deliver continuing growth in the City

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

- Equal Opportunities
- Risk Management
- Legal Considerations

Financial Consequences for the Capital and Revenue Budgets:

The report contains draft savings options, for comment, prior to a draft budget.

Report being prepared for the Council's Executive due to sit in February 2021. The draft options for 2021/22 total £12.359m, of which £2,611m are not recurrent. The non-recurrent savings to smooth out transition to reductions in budget. Over 2021/22-2024/25 in total £10.998m of recurrent savings planned to be delivered. Most of these options are deemed to be deliverable and there is a level of confidence that most of the options are "the right thing to do" and have been developed in line with the Directorate budget strategy.

Contact Officers:

Name: Paul Marshall
Position: Strategic Director for Children and Education Services
Telephone: 0161 234 3952
E-mail: paul.marshall@manchester.gov.uk

Name: Amanda Corcoran
Position: Director of Education
Telephone: 0161 234 4314
E-mail: amanda.corcoran@manchester.gov.uk

Name: Sean McKendrick
Position: Deputy Director Children's Services
Telephone: 0161 234 3952
E-Mail: sean.mckendrick@manchester.gov.uk

Name: Reena Vandhna Kohli
Position: Directorate Finance Lead - Children, Education and Schools
Telephone: 0161 234 4235
E-mail: reena.kohli@manchester.gov.uk

Background documents (available for public inspection):

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

Children and Education Services Budget 2021/22 – Children and Young People Scrutiny 13th January 2021

Children and Education Services Budget 2021/22 – Children and Young People Scrutiny 4th November 2020

Children and Education Services Business Planning: 2019-2020, Executive 13th February 2019

Annual report on Special Educational Needs and Disability (SEND) - Children and Young People Scrutiny Committee - 4 March 2020

Attainment and Progress 2019 - Children and Young People Scrutiny Committee – 24 June 2020

Council Business Plan 2020/21 - Executive - 12 February 2020

1.0 Introduction

1.1 Manchester City Council has been at the forefront of the response to the coronavirus pandemic in the City. This report sets out a one year budget for 2021/22, however the longer term implications have been considered and these are considered in the Council's medium term financial planning. As a result of the COVID-19 Pandemic there has been additional demand for services and reductions to Council's income (as set out in the global monitoring report to Executive 17 Feb 2021). This left the Council facing a significant budget gap for 2021/22 onwards. Funding announcements in the government's spending review on 25 November and provisional local government finance settlement on 17 December mean the Council will not be facing the worst-case scenario for 2021/22, (which was a shortfall of around £100m). The government settlement assumes eligible Councils will increase Council Tax by 3%, for the Adult Social Care precept. After accounting for additional Adult Social care funding through both additional precepts and grant the revised savings proposals from all Directorates total £41m.

1.2 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.

1.3 This report has taken into consideration the observations and feedback from Scrutiny Committee Members during the meetings held in November 2020 and January 2021 and as such provides the draft 2021/22 revenue budget options for the Children and Education Services Directorate. The proposed officer budget options follow a comprehensive review across all service areas in order to ensure that the existing budgets are realistic and sufficient to ensure that the service area can deliver its objectives and contribute to the Corporate Plan priorities during and the pandemic and managing the impact of the longer term consequences once the pandemic is controlled. The budget strategy is intelligence led, reflects the Directorate priorities that aim to work within existing economies of scale to strengthen partnerships and deliver services local, place based services on a city wide, locality and neighbourhood footprint. This delivery model includes collaborating and working in partnership with Manchester Local Care Organisation (MLCO); is aligned with the Council's Bringing Services Together arrangements and scrutiny from Manchester's Safeguarding Partnership (MSP). The draft budget for 2021/22 also makes proposals for £6.027m of growth demography to ensure there is sufficient resources to meet the care and placement needs of those children who are looked after by the Council.

1.4 Set out in this report are a series of proposed savings and relevant information relating to the Children and Education Services Directorate to assist Committee Members in their considerations. The proposed savings options outlined in this report have been assessed by officers for their deliverability and impact. In addition, the summary savings schedule is supported with a risk or RAG (Red /Amber /Green) impact rating.

1.5 The proposals have also been considered by Executive Members who are keen that all the identified options are set out so they can be considered and consulted on. Since November's and January's scrutiny committee the proposals have been subject to further refinement.

1.6 The 2020/21 Dedicated School Grant notification was received on the 17th December 2020 and totals £602.626m. The overall increase in grant since last year is £42.477m. The biggest change in the grant is due to 2% per pupil related increase in part of the grant that supports primary and secondary schools, transfer of Teacher's Pay and Pension Grants and £9.773m uplift (not including the teacher's pay and pension grant transfer) in the high needs block. The proposed Schools Budget for 2020/21 has been agreed in consultation with Schools Forum on the 18th January 2021 and is reported on in a separate report to this meeting.

2.0 Background and Context

2.1 A key priority for Manchester City Council is to ensure that Manchester's children are safe, happy, healthy and successful; supported by services that are effective and efficient.

2.2 The Directorate also contributes to other corporate priorities, including supporting Manchester's Children and Young People to be healthy, well and safe (Healthy, cared for people), enabling clean, safe and vibrant neighbourhoods through promoting the welfare of young people (Neighbourhoods) and reducing demand through reform and enabling our workforce to be the best they can be (Well-managed Council). It also plays a leading role in ensuring our young people are equipped with the skills they need to benefit from the growth of the city (Growth that benefits everyone) and ensures there are sufficient and high-quality places in local schools and early years settings.

2.3 The priorities, guiding principles and behaviours of Our Manchester, run throughout all key strategies and approaches being taken forward in the city from the overarching Children and Young People's Plan (Our Manchester, Our Children) through to Early Help, Our Promise to Looked After Children and Care Leavers, All Age Disability Strategy, Youth Justice Plan, Valuing Young People and Young Carers Strategy; as well as contributing to other strategy/delivery plans to improve the experiences and outcomes for our children and young people.

2.4 The Directorate for Children and Education Services is responsible for the delivery of the following services:

- Early Help
- Early years
- Education services
- Special educational needs and disabilities (SEND) for 0-25 years
- Children's social care services for children and their families

- Statutory responsibilities for safeguarding, looked after children and young people, care leavers
- Youth Justice Services
- And a broad range of associated functions.

2.5 Manchester's population has continued to grow since the 2011 Census figure of 503,000, and our forecasts for population growth are estimating that by the mid-2020s the city of Manchester will have a population of circa 644,000, a 28% increase. This population growth is driven by the continued, and forecasted continuation, of economic growth. The annual school census completed in May 2019 identified 87,874 pupils attending Manchester Schools compared to 89,318 pupils in October 2020 – this snapshot shows growth of 1,444 pupils across the mainstream primary and secondary phases within a year.

2.6 Within the Manchester school population, the January 2020 census showed that 18% of pupils have Special Education Needs. This was made up of 14% who have their needs met at SEN Support level and 3.9% of the school population who have an Education, Health and Care plan (EHCP). The census shows that the number of pupils who have their needs met through SEN Support or an EHCP is increasing. The percentages of pupils at SEN Support level and EHCP are higher than the latest national comparison data. Manchester currently maintains 5,285 Education, health and care plans for children and young people up to age 25.

2.7 The basic level of unit funding for primary and secondary pupils in the Dedicated Schools Grant (DSG) has risen from £5,088 in 2014/15 to £5,691 in 2021/22, an increase of £603 per pupil in cash terms. However, taking account of the Retail Price Index (RPI), it represents an actual real term reduction of around £470 per pupil. It should also be noted that the significant per pupil increase in 2021/22 is a result of funding formula changes whereby external grants have been rolled into core funding.

2.8 Following Ofsted's inspection in 2017 which judged Manchester's Children's Services to no longer be inadequate, the service has continued to make progress and improvements in the services provided. This is evidenced through the frequent reporting to scrutiny committees, alongside regular performance/assurances reporting, independent peer reviews and through Ofsted's focused visits in 2018 and more recently December 2019.

2.9 However, it is evidently clear in order for the service to continue to make improvement and for Manchester's Children's Services to be judged as 'good or better' by Ofsted, a key success factor is for there to be a stable, talented and confident workforce. Subsequently the Directorate launched in 2020 a five-year workforce strategy to sustain and continually improve Children Social Care Services. The strategy which has been scrutinised by committee members offers a range of incentives to specific groupings of roles which have proven difficult to recruit, retain and offer the foundation for the development of the services' future strategic leaders.

Summary Impact of Children and Education Services

Children Services

2.10 Since 2015/16 there has been significant progress in reducing the number of children placed in residential provision with an increase in those placed within internal foster care placements. In addition, there have been improvements in securing a 'permanent' arrangements for children through adoption and the increased number of Special Guardianship Orders (SGOs). There are 592 special guardianship orders at present, a 62% increase in the number of SGO's since 2015/16.

2.11 Implementation of a redesigned 'front door' to respond to requests for a Social Care Service - the Advice and Guidance Service was developed to increase the access to social care expertise and deliver a more locality coordinated and efficient and proportionate Children's Social Care service. This contributed to a wider programme of reforms to enable "Practitioners working together in a locality, having conversations to agree effective, right and timely interventions resulting in positive change for our children to have safe, happy, healthy and successful lives; presented to scrutiny committee members in March 2020. The impact of these improvements was evidenced by the number of referrals made into the service reducing from 13,228 in 2017/18 11,174 in 2018/19 whilst at the same time overall reducing the rates of referrals to the service. Quality assurance measures are in place to scrutinise decisions made by staff in the three locality hubs.

2.12 In addition we have reduced the number of children and young people subject to child protection plans from 787 at the end of 2018/19 to 731 at the end of 2019/20 and increased the percentage of child protection conferences held within 15 days of the start of the Section 47 enquiry from 78.4% in 2017/18 to 88% in 2019/20.

2.13 The Council has been part of a Regional Adoption Agency since 2017 which has maintained good performance and mitigated the removal of the 'inter-agency fee' grant. Adoption timeliness continues to improve with a three-year average of 384 days from entering care to being placed for adoption, compared to 429 days at the end of 2018/19. There is a three-year average of 98 days from Placement Order to an adoption match being agreed, compared to 131 days at the end of 2018/19.

Education Services

2.14 Before schools partially closed in the summer term 2020, the overall Ofsted outcomes for Manchester in March 2020 indicated:

- 95% of Early years settings and 89% childminders were judged to be good or better.
- 89% of schools are good or better which is above national average and indicates a continually improving system.

- 93.3% of Manchester primary schools and 69% of secondary schools are judged by Ofsted to be good or outstanding.
- all post 16 provision is judged to be good or better in the City
- 88% pupils in the City attend a good or better school which is above national average and 5th highest in NW region.

2.15 Due to the pandemic full Ofsted inspections of schools and Children's Services will not resume until Spring 2021 although they will carry out assurance and focused visits throughout the Autumn and Spring to look at how the system is responding. There will not be a grade provided for these.

2.16 The improvements in both Children and Education Services has in part been associated with continued and strengthening partnerships that support even greater collaboration and robust leadership; underpinned by an effective performance/assurance framework.

3.0 Revenue Strategy

3.1 As previously outlined Manchester's Children and Education Services remain committed to continue a 'journey to excellence'; characterised by effective and efficient services that improve the experiences and outcomes for children and young people. This paper sets out a revised approach towards the reduction of costs by developing and changing services alongside the capacity and culture within the Directorate to ensure its delivery.

3.2 An effective Children and Education Service and delivery of our financial plan cannot be achieved in isolation and requires a continued strong relationship with all our partners both internally within MCC and externally. This is facilitated through effective leadership and management at a locality level and development of programmes of activity with our key partners, adopting a targeted and systematic approach which through the following key strands of activity support the Directorate Budget approach. This is further underpinned by a mission statement to be *safe, effective and efficient* and built around the following 4 themes which are articulated in paragraphs 3.4 to 3.18;

1. Cost avoidance - preventative and edge of care intervention
2. Care planning and practice improvement
3. Commissioning and Partnerships
4. Service improvement/efficiencies

3.3 It is recognised within Children and Education Services the budget is an interconnected set of financial commitments designed to improve the experience and outcomes of Manchester's children and young people. Thus, enabling a managed and complex ecosystem of interventions, services and organisations held together by relationships, partnerships and collaboration; evidenced in successive Peer Reviews, Ofsted monitoring, focused visits and inspections.

Cost Avoidance - Preventative and edges of care Interventions

Early Help

3.4 A recent evaluation of Manchester's early help approach found that a coordinated and targeted offer of support for families can have a significant impact on reducing the need for high cost, statutory children's services by:

a) preventing families coming into contact with high-cost support: since 2015, 4,337 families who had not previously been known to Children's Social care, were identified as needing coordinated support (either through a referral to Early Help or commencing an Early Help Assessment) Of these 97% (4,202) remained having no social care involvement within 12 months of the intervention ending.

b) supporting 'step down' from high-cost support: since 2015, 2,402 families received 'early help' support who had a CIN status before or during an intervention. Of these 83% (2,004) were stepped down and remained so 12 months after the support had ended.

3.5 The evidence from the evaluation demonstrates that mainstream investment in early intervention, supplemented by national Troubled Families funding, is preventing families from needing further, high-cost support across a range or measures but particularly children's social care. The family level data is complimented further by a cost benefits analysis, covering the period 2015-2020, which shows a return on investment of £1.90 for every £1 invested.

Edge of Care Intervention

3.6 Research tells us children living in stable and loving homes tend to do better than their counterparts. As a result, and alongside other specialist interventions, in 2017 Alonzi House was remodelled to support children on the ‘edge of care/becoming looked after’ to remain safely within their families and communities. Since this time the children Alonzi House has worked with:

- 85% have remained at home with their families.
- Increased their attendance at school to 90% or above
- Reduced school exclusions by 50%
- Contributed to the risk of exploitation for 71% of young people where this was a presenting issue.

3.7 In addition, and more recently, in 2019/20 having adopted and adapted the No Wrong Door model as part of the Greater Manchester innovation programme. The services provided by Alonzi House have been adapted to include our ‘looked after’ children to promote stability and inclusion in family-based care arrangements. This has resulted in the multidisciplinary team operating out of Alonzi House to provide foster families with a wraparound support which will include an outreach element and both practical and emotional support; securing stability, permanent arrangements for children and significantly reduce ‘unplanned’ placement endings.

3.8 The underpinning financial principle is to prevent unplanned placement moves, which invariably are associated with increasing, expensive costs and poor outcomes for children and young people.

Care Planning and Practice Improvement

3.9 Effective leadership of the system is fundamental and underpins strategies to mitigate rising demand and costs. This is reinforced by maintaining a strong grip on decision-making, assessments and resource allocation for individual children and young people.

3.10 The successful delivery of the Children's Services Locality Programme during 2019/20 has enabled the redistribution of social worker capacity. The aim of which has been to secure a timely plan of 'permanence' for children who become looked after and the continued improvement in the overall quality of practice. Over time it may be possible to divert further resources from specialist social work to early help services. This is evidenced by the presentation at the scrutiny committee, recent Looked After Children (LAC) admissions and discharges compared to other Core Cities. Manchester is seeing quite a different trend - with significantly lower admissions and less impact on discharges. In terms of admissions Manchester did have a particularly high rate of growth in the LAC population last year. This points to improved practice and management oversight/grip on planning and decision making for children.

3.11 Spend on residential placements for 'Looked After Children' has increased each year since 2015/16, attributed to increasing need, unplanned endings and limitations in the internal and external fostering capacity. A refreshed commissioning approach in 2019/20 that is based on 'relationships' and seeks to embed an outcomes-based commissioning approach and shared understanding of expected outcomes with providers whilst working collaboratively with health partners to identify provision that meets the needs of children with complex health problems and children with Special Education Needs or Disability has seen the use of External Residential placements reduce by 10% since April 2020.

3.12 Manchester City Council operates two children's homes through commissioning arrangements with external providers. Informed by research and an analysis of children's needs, this has led to Children's Services and Manchester Health and Care Commission securing capital funding from NHS England which will contribute to costs associated with the remodelling of one of these homes to better respond to the presenting needs of children and young people with learning difficulties and/or autism and their families. The home will provide outreach and a specialist short break provision, which is expected to improve the experiences and outcomes of children. The service is informed by a cost benefit analysis and will deliver significant financial savings in the medium/long term.

3.13 Manchester continues to seek to increase the number of internal foster carers for specific groups of children whilst at the same time strengthening its relationship with Independent Foster Care agencies to develop a market of high-support foster placements for children with high/complex needs, including those stepping down from residential placements.

3.14 In addition, in responding to the accommodation needs of our care leavers, the Directorate continues to work proactively and positively with the housing providers including the third sector to further develop models and increase the Leaving Care offer. This has led to a reduction in Care Leavers experiencing placement moves and successfully transitioning to independence and contributing to the development of Greater Manchester Care Leaver's covenant.

Commissioning and Partnerships

3.15 Manchester has established a talented and skilled commissioning team within Children's Services. This capacity provides greater opportunities to negotiate on price, shape the market and develop stronger, enduring relationships with providers. Furthermore, strong collaboration between the Council and the health service is essential to achieve improved influencing of the market, greater economies of scale and improved outcomes.

3.16 The service has developed the following set of commissioning principles which prospective providers are to consider and underpin the Directorate's approach to commissioning:

- Prioritise ethical providers who are informed by appropriate values and principles and are passionate about Our Children
- Recognise and value the voices of children and young people in the development and monitoring of services.
- Ensure we learn from/utilise experience, use data 'intelligently' and consultation to inform innovative service design.
- Co-produce and develop the provider market with service users and providers.
- Ensure we work collaboratively across the Council to ensure maximisation of existing resources.
- Social value is embedded within all commissioning activity to support our communities and services.

Delivering Services Locally and in Partnership

3.17 The Children's Locality Model Programme delivered during 2019/20 was focused on reforming Children's Services to deliver local, place based services on a 1-3-13 footprint; aligned with Integrated Neighbourhood Teams/ Bringing Services Together; strengthening local partnerships to work together in response to specific complexities of each geographical area across the city. Following the successful implementation of this programme, a review has been undertaken; resulting in an emphasis on strengthening our partnerships and collaborations to jointly commission and deliver services in unison with key partners, as reflected in the following 4 service delivery areas:

1. **Smoke Free Families** (an initiative that involves early years, help and community health services working closely together). Delayed due to the

impact of Covid19 but more recently progress has been accelerated in partnership with Manchester Local Care Organisation which will inform future relationships and improve outcomes for children and families. Adopting a thematic approach where partners can work together putting aside service boundaries and focus on the needs of residents and families. The Smoke Free Families is a resulting approach that will involve a whole family approach to adopt a smoke free home environment for babies and young children. The resulting impact and outcome measures are aligned to the Start Well Board priorities and will highlight learning and wider adaptability for our future neighbourhood and locality working.

2. **Think Family** - Many children who 'become looked after' have experienced domestic abuse parental mental health and substance misuse problems. Subsequently Manchester's Children's Services and its partners are developing plans to implement the Strengthening Families programme which is a multi-agency approach which uses motivational interviewing and takes a 'think family' approach which is facilitated by the co-location and joint working between Adult, Mental Health, Domestic Abuse and Children's Services. Developed in Hertfordshire, the research evidence demonstrates a reduction in both admissions and length of time children spent in local authority care can be achieved.

3. **Targeted offer for children with SEND** - The repurposing of Lyndene Children's Home will see the development of an integrated service offer for children with SEND and their families with robust commissioning governance. The service is developing a dedicated short breaks and outreach service for children with disabilities (including autism) and building on existing pilot short breaks projects which support the transition to universal services. Assessments will be integrated within existing planning routes for specialist services.

4. **Care Leaver Accommodation Offer** - The aim of the Care Leaver Accommodation Project is to work in partnership with Health, Housing, education and both children and adult social care to:

- Improve stability / Homes for Life for Manchester's Care Leavers
- Deliver accessible Integrated Support services delivered at the right time
- Improve choice in where and who to live with
- Deliver Innovative and individual models of living including intergenerational living where appropriate.
- To share learning with the Greater Manchester Commissioning leads and develop regional approaches to delivering accommodation and support.

Service improvement/efficiencies

3.18 Service improvements and efficiencies run across all the budget approaches outlined above, as demonstrated by the review of Families First and commissioning and partnership involved in the repurposing of Lyndene's Children's Home.

4.0 Children and Education Services Directorate Revenue Budget 2021/22

4.1 During 2019/20 an external benchmarking exercise was undertaken to consider the costs, profile of children and the range and choice of placements for our looked after children set against similar local authorities. The findings from this exercise indicated the correlation between need and the 'trilogy of risk' (domestic violence, substance misuse and mental health) and social determinants. This exercise indicated a requirement for a more prudent forecast for financial modelling should be used. The report predicted a 3% increase per annum in admissions to care was judged as a realistic projection for Manchester.

4.2 The following section outlines the revenue budget for the Council's Children and Education Services, emerging areas of pressure and financial savings proposals which are organised to reflect the Directorate's budgetary approach as set out in paragraph 3.2.

<u>Education and Schools</u>

4.3 In July 2020 the Department for Education announced the provisional school funding settlement for 2021/22. Beyond 2021/22 the government will, later this calendar year, put forward its proposals to move to a 'hard' National Funding Formula 2022/23 onwards. It is estimated that Manchester receives £20m above the national funding formula values which equates to roughly £300 per pupil in the City. It is expected that once the national funding formula is introduced transitional protection will be applied and the £300 per pupil loss may be protected over a number of years.

4.4 For 2021/22 the City's Primary and Secondary schools should expect to see between a 2%-3% increase in pupil related funding, this is estimated to equate to **£10.611m. Teacher's pay and pension grants have been transferred into DSG, in total this equates to £17.522m** for Manchester's primary and secondary schools. This is before increases in pupil number and changes to pupil characteristics are taken account of.

4.5 Manchester's provisional grant allocation for support to children with special educational needs has increased by 10%, and it is estimated that the additional allocation will be c**. £11.456**, included within the additional allocation is an uplift for Teacher pay and pension grant of £1.683m. This part of the Dedicated Schools Grant is currently overspent consequently the estimated £10m increase will mostly be allocated to meet the existing and new pressures on the budget.

4.6 Funding for early years in schools and private, independent and voluntary settings was be published in December 2020 and has increased by £0.524m for increase hourly rates. The part of the grant supporting the Local Authority, the central schools block shows a reduction of £51k, the Local Authority is working through implications of this change.

4.7 The Children and Education Services net annual budget for 2020/21 is £132.228m with 1,316 full time equivalent staff summarised in table one below, a subjective analysis is provided in appendix one of this report:

Table one: Base Budget

Service Area	2020/21 Gross Budget £'000	2020/21 Net Budget £'000	202/21 Budgeted Posts (FTE)
Children's Safeguarding	128,108	110,073	885
Education*	339,737	17,466	314
Directorate Core and Back Office	4,717	4,689	117
Total	**472,562**	**132,228**	**1,316**

*Education gross budget includes the Dedicated Schools Grant (excluding Academy Schools)

Overview of Options for Savings in the Children's and Education Services Directorate

4.8 The draft options for savings have been informed by the Directorate Budget approach **to deliver safe, effective and efficient services**, the progress and impact of the services to date. This approach has been developed by thinking through the way in which the Directorate can meet its statutory duties and make the maximum contribution to the priorities for the City, as set out in the earlier parts of this report. In some cases, this is by increasing the pace of implementing the already identified reforms and services improvements as a way of making financial savings by reducing demand for expensive, reactive services. In other cases, this is by choosing options for service reductions which will have the least damaging impact on the achievement of our priorities.

4.9 £12.359m of the 2021/22 officers' options are deemed to be deliverable and there is a level of confidence that most of the options are "the right thing to do" and have been developed in line with the budget strategy. Options developed by officers reflect the Directorate's budgetary approach – safe, effective and efficient and can be categorised into and are listed in table two below:

- Options for cost avoidance and those associated with the delivery of services to children with high/complex needs through transforming services and increasing the range and choice of placements (sufficiency). Most of these options are underpinned by commissioning activity.
- Options to accelerate the pace and ambition of collaboration with partners.
- Options which aim to remove duplication and develop a shared understanding of how services could deliver tasks effectively and efficiently. These include options for service reductions which will enable the Directorate to deliver a balanced budget whilst enabling the Council to meet its statutory duties.
- Options for income generation

Table two: Budget Options

Area	**Option**	Description	RAG	**2021/22** £'000	**2022/23** £'000	**2023/24** £'000	**2024/25** £'000	**Total** £'000
Children's Services	Placement Stability	Cost Avoidance	Amber	627	415			1,042
Children's Services	Re-commission – Lyndene	Effective Commissioning	Amber	462				462
Children's Services	Multi-Agency Arrangements	Effective Commissioning	Red	1,000				1,000
Children's Services	Leaving Care	Effective Commissioning	Green	1,767				1,767
Children's Services	Market Development	Effective Commissioning	Red	400	376			776
Children's Services	Unaccompanied Asylum Seeking Children	Effective Commissioning	Green	515				515
Children's Services	Commissioning Review	Effective Commissioning	Amber	300				300
Children's Services	Pace Beds	Effective Commissioning	Green	28				28
Children's Services	Improving Permanence	Care Planning & Practice Improvement	Green	160	159			319
Children's Services	Stability Team and Wrap Around Support	Care Planning & Practice Improvement	Green	300				300
Education	Premises	Efficiencies	Green	129				129
Education	Attendance	Efficiencies	Green	70				70
Core	Business Support	Efficiencies	Amber	130				130
Children's Services	Adoption Services	Efficiencies	Green	357				357
Education	SLA Schools	Efficiencies	Amber	30				30
Children's Services	Families First	Service Reductions	Green	445				445
Children's Services	Section 17	Service Reductions	Green	50				50
Children's Services	No Recourse to Public Funds	Service Reductions	Amber	600				600
Children's Services	Workforce Development	Service Reductions	Green	140				140
Children's Services	Legal - Fees reduction	Service Reductions	Amber	260				260
Education	Schools Quality Assurance	Service Reductions	Red	300	-150			150
Education	Free Travel	Service Reductions	Green	400				400

Area	Option	Description	RAG	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	Total £'000
Core	Strategic Business Support	Service Reductions	Amber	80				80
Children's Services	CAMHS	Service Reductions	Amber	148				148
Children's Services	Early Years – Core offer, Speech & Language	Service Reductions	Amber	200	100	100	100	300
Children's Services	Managing Demand	Service Reductions	Red	1,000				1,000
Children's Services	Troubled Families	Use of reserves	Amber	1,150	-1,150			
Education	DSG reserve	Use of reserves	Green	1,000	-1,000			
Children's Services	Children's Services Reserve	Use of reserves	Green	311	-311			
Children's Services	Children's Services Reserve	Use of reserves	Green		1,409	-1,409		
Total				12,359	- 152	-1,309	100	10,998

Cost Avoidance - Preventative and Edge of Care Services

4.10 There have been fluctuating trends over the last decade in terms of the number of Looked After Children in Manchester **decreased** between 2010 to 2017. However comparable to a national trend, numbers of Looked After Children began to **increase.** The average annual increase over the last three years has been 6.8**%.** Population increase has had some part to play in recent LAC growth but an increase in rate from 97 per 10,000 children 2017 to 116 in 2020 demonstrates that there are other factors at play than simply the increase in population. The Directorate has reported recently that it has not always been able to discharge children from care, because of the restricted Family Court sittings. There has also been an inability to move children from existing placements has meant that they have had to keep some children in high-cost placements, particularly in residential care, when in the normal course of events they would have been moved into Foster Care, adoption or out of care altogether.

4.11 The primary aims of the placement options outlined in paragraph below are to improve outcomes for children and young people by reducing escalation and need for external residential placements by preventing placement breakdowns and expanding the availability of more local good quality foster placements and support. These options have the additional benefit of helping the Council to reduce costs in this area. A number of the options are underpinned by the development of commissioning approach outlined in paragraph 3.15 - 3.16 of this report.

Placement Stability Offer

4.12 The Placement Stability offer will form part of the current service provided by Alonzi House under the umbrella of the Alonzi Hub (formerly known as No Wrong Door) and will come under the existing management structure. The hub will work directly with foster families with a wrap-around support which will include a specialist outreach element and both practice and emotional support to families at risk of 'breakdown'. This will aim to help build up confidence and relationships; allowing both the child and the adults to have an allocated worker and access to appropriate professional interventions to help with the child's care plan. It is expected that the offer will enable step down and avoidance of two residential placements per quarter starting from July 2021, this equates to part year saving of **£0.616m** in 2021/22 and rises by another **£415k** in 2022/23.

Effective Commissioning

Lyndene Children's Home

4.13 The Council's Executive recently approved the repurposing of Lyndene Children's Home. Lyndene Children's Home is to provide children and young people and their families' good quality edge of care services, helping young people remain living within their family and community where it is safe and possible to do so. The re-purposed facility is projected to lead to avoidance of four residential placements per annum, net of additional cost running this totals **£462k** reduction in costs per annum 2021/22 onwards.

Multi-Agency Joint Commissioning Arrangements for Children with High and Complex Needs

4.14 Despite much improved planning and joint commissioning arrangements between children's social care, education and MHCC, since 2015/16 the average cost of residential care has increased by £1,500 (60%) per week. This presents one of the most significant financial challenges for the directorate's budget. It is anticipated that through further development of multi-agency arrangements **£1m** of reduced residential costs are planned delivered by improving the quality of partnership working and improved strategic partnership commissioning. Joint commissioning approach and arrangements are a priority to be delivered next year.

Care Leavers - Transition to Independence

4.15 The key outcome of the Care Leavers covenant outlined in section 3 is to ensure that a quality and innovative offer of support and accommodation is accessible to care leavers as standard. It is expected that as a result of recent discussions with GM Housing Providers that over 100 placements will be made available to care leavers. Further work will be completed which will oversee the support hours to ensure that all young people aged 17 ½ will have step down support hours as standard within their placement agreement. This transformation has already commenced and is expected to release savings of **£1.030m** 2021/22 onwards.

4.16 Recently legislative changes place a duty on local authorities to provide Care Leaver support up to the age of 25. However, young people leaving care are able to access housing support after their 18 birthdays. Planning for transition to independence pre 18 years is met by the social worker and pathway planning. On-going support after the age of 18 years shifts to personal assistant. Additionally, the Homelessness Directorate have identified £130k which is to be used to commission steppingstone care leavers accommodation with Manchester Housing Providers. Through earlier and better pathway planning it is expected that the average number of over 18 Supported Accommodation placements changes from 30 to 15 over the financial year, this should lead to a saving of **£0.737m** 2021/22, like the previous option this service transformation has commenced and is part of the current projected outturn position of the Directorate.

Market Sufficiency - Looked After Children Placements

4.17 This strategy aims to demonstrate a detailed understanding of the children's placement market, examining supply whilst identifying gaps in provision. The strategy will offer realistic, cost effective and outstanding solutions to ensure sufficiency for looked after children. The keys aims of the strategy will be:

- Grow internal fostering refocus the External Foster Care market
- Reform processes to manage complexity
- Commission for outcomes
- Reduce avoidable residential care unit costs

4.18 Informed by our own analysis and that of the external provider a detailed action plan for the sufficiency strategy is being produced by the service. Progress against the plan will be overseen by the Strategic Director of Children's Services and Education reported quarterly to Strategic Management Team and Executive Members. It is planned that this strategy could aim to save **£400k** in 2021/22 and a further **£376k** 2022/23 onwards.

Unaccompanied Asylum Seeking Children (UASC)

4.19 A specialist team has recently been established to respond to UASC and offer bespoke and targeted intervention alongside providing consultation and wider support across the services in the city, sharing knowledge and expertise to overcome barriers for children and families. The increased demand and level of complexity within this population has informed the development of this targeted service and partnership approach.

4.20 In responding to the accommodation needs of our care leavers work is being progressed to access and commission high quality accommodation more efficiently. It is expected this work will reduce the risk of spend on Unaccompanied Asylum Seeking Children (UASC) and Care Leaver placements exceeding the Home Office UASC grant by **£297k**. In addition to reducing spend on UASC, whilst the outcome on the National Transfer Scheme consultation is outstanding the grant received from the Home Office was increased on 8th June 2020. The effect of the change in grant rates, based on the current numbers of 221 UASC and unaccompanied minors that have turned 18, is estimated to be **£0.515m.** Both of these savings have been achieved in 2020/21 and are included in the projected outturn position for this year.

PACE

4.21 Police and Criminal Evidence Act sets out that children should not be kept in the police station overnight after they have been charged with a criminal offence. Children refused bail should be transferred from the police station to local authority accommodation under the requirements of the Section 21(2)(b) Children Act 1989. Jointly commissioning provision at Greater Manchester level would release a commissioning saving of **£28k** 2021/22 onwards.

Care Planning and Practice Improvement

Securing Timely Plans of Permanence

4.22 Permanence is the term used to describe the long-term plan for a child's upbringing and provides an underpinning framework for all social work with children and their families from family support to remain within their family through to adoption. By working on the basis that all children should live within their family and community and for those who become 'looked after' by the Council should have a timely and permanent loving and stable family as soon as possible. Increased focus on permanence through improved performance structures, management oversight/grip and tracking systems for individual children to ensure more timely and better outcomes for children. it is estimated that from April 2021 onwards a 5% reduction can be applied to the number of days in care for all new entrants to care. This saving total **£160k** in 2021/22 and increases by another **£159k** 2022/23 onwards.

External Residential Care

4.23 The implementation of a workstream considering both under 13's and over 13's year old children in residential care has provided insights that indicate for some an unplanned ending of their fostering arrangement led to their placement in a residential setting. Currently there is a £200k budget to prevent unplanned ending of a fostering arrangement. Whilst this has helped some children the impact has been insufficient. Consequently, it is proposed this budget is reduced by £100k in 202021/22 and the £200k budget to set up the Stability Team is no longer required. Rather, we will establish the Stability Team by remodelling existing staffing allocations; this will release a saving of **£300k** in 2021/22 onwards.

Efficiencies and Income Generation

Agile Working

4.24 Agile working is being undertaken across the Directorate. However, it is evident some Education staff will be able to work in a more agile way operating between home and the office. This will lead to a diminishing need for office space and as a result release rental costs for one of the sites currently in use. Surrender of the lease this year generates a **£129k** saving 2021/22 onwards.

<u>School Attendance</u>

4.25 Work related to prosecutions for non-attendance at school is currently commissioned outside the Council. In September 2020 this work was brought back in-house. A savings has been realised as a result of this coming back to the Council, the full year impact of this is **£70k** 2021/22 onwards.

<u>Business Support</u>

4.26 Business Supports staffing budgets have been reviewed looking at spend in previous years. Currently staffing budgets are set using the top of each grade for all posts, and a percentage allowance reduction is made to reflect the anticipated turnover in staffing throughout the year. Based on the historic turnover in this area it is proposed to introduce a higher turnover allowance for the service, it is anticipated that a **£130k** saving 2021/22 can be achieved through this approach.

<u>Regional Adoption Agency</u>

4.27 From July 2017, adoption services in Stockport, Manchester, Trafford, Salford and Cheshire East local authorities have been delivered through an integrated service called Adoption Counts. This is a Regional Adoption Agency (RAA) as set out in the Education and Adoption Act 2016 and was the second regional adoption agency to become operational nationally. By 2020, the government expects all adoption services to be delivered via regional adoption agencies. Adoption Counts is responsible for recruiting adopters, family finding for children and providing support to adoptive families. In 2019/20 MCC invested £200k into the RAA to reflect the national challenge with identifying prospective adopters and the need for greater capacity to increase the number of adoptions opportunities for Manchester children. Re-negotiation and rebasing of Regional Adoption Agency recharge has already realised saving of **£357k** in 2021/22 onwards.

<u>Service Level Agreements with Schools</u>

4.28 Education Services have reviewed their Service Level Agreements with schools. It is proposed that:

- The Newly Qualified Teacher offer current charge has been benchmarked against other providers and it is believed that the charge can be increased without reducing take-up.
- Key Stage Two writing moderation is currently free to all our schools. It is proposed primary academies are charged £200 for MCC to be the moderation provider.

- Quality Assurance, the Council currently pay for every school to have a Quality Assurance Professional visit. This is a key aspect of the Council's assurance of our school system. It is proposed academies are charged 50% of the £475 cost per visit.

It is anticipated the activity above would generate **£30k** 2021/22 onwards.

Service Reductions

Families First

4.29 A review of the Family First Service in 2019/20 concluded that whilst there were benefits the resource should be better aligned to the developing locality delivery model and support earlier intervention via the Early Help Hubs which is one of our wider Directorate priorities. These changes were reflected in the report 'A five-year workforce strategy to sustain and continually improve Children Social Care Services' that has previously been presented to scrutiny committee nembers. Alternative opportunities have been created and accepted by staff and as a result a saving of **£445k** has been released this year and forms part for other 2021/22 options.

Section 17- Financial Assistance

4.30 Section 17 of the Children Act 1989 places a duty on local authorities to safeguard and promote the welfare of children within their area who are in need; and so far as it is consistent with that duty, to promote the upbringing of such children by their families. This support can include a wide range of services but usually includes accommodation and/or essential living expenses; often associated with families at risk of homelessness, including those with refugee status, limited leave to remain or discretionary leave; all of whom are eligible for an assessment and/or support. Guidance is to be provided to staff about when these payments can be made should lead to a modest efficiency of **£50k** 2021/22 onwards.

No Recourse to Public Funds (NRPF)

4.31 "No recourse to public funds" condition is imposed on almost all migrants granted limited 'leave to remain'. The Council supports NRPF families in this position through the NRPF team which supports people with their application to the Home Office and has a separate budget. Care Leavers subject to No Recourse to Public Funds are primarily supported through the Leaving Care budget. NRPF families also access support through the voluntary organisations, or Children's S17 budget.

4.32 In the last few years, and which has helped to increase efficiencies resulting in a current budget underspend, is that the length of time taken to resolve immigration issues has shortened. Work is on-going to forecast the additional spend as a result of Brexit. However, financial forecasting predictions indicate it is still expected that the spend will be £0.6m lower than the budget available 2021/22 onwards.

Workforce Development

4.33 Part of the aforementioned workforce strategy outlined in paragraph 2.9 a budget was earmarked for masters for social workers totalling £140k, as part of the efficiencies options it is proposed this budget is released 2021/22 onwards.

Legal Fees

4.34 The cost of legal support for Children's Services has increased in the last few years. The Strategic Director of Children's Services and the City Solicitor have considered the cost drivers and have worked together to manage need, reduce the use of experts, streamline decision making/legal advice processes to create solicitor capacity. Whilst the impact of this work is yet to be realised through continued focus on practice, work with the Family Courts (which has recently published its priorities to respond to Covid) and Legal Services it is anticipated that spend on legal fees can be reduced by **£260k** 2021/22 onwards.

Schools Quality Assurance

4.35 The School Improvement grant is currently £420k per annum; this is allocated based on the number of the maintained schools in the city. Part of the grant could be used to fund School Quality Assurance officers in order to release capacity in the council budget. All schools in the City are allocated a School Quality Assurance officer who is their single point of contact for the Council and who maintain an overview of the performance of the school. If we were to do this it would potentially save £300k in 2021/22. This would reduce to £150k 2022/23 onwards in order for the Directorate Education Service to be able to retain oversight of the quality of learning and leadership as well as broker some interventions where there are identified areas for improvement. This quality assurance model has proven to be highly successful and effective in supporting improvements in the school system as evidenced by the number of schools judged good or better in Manchester. It is worth noting, without this delivery model, Manchester's ability to respond to the challenges presented by the current pandemic across the entire education system may not have been as positive as they have been.

4.36 This reduced funding available within the school improvement grant will result in fewer interventions being available to support our maintained schools in response to identified or thematic issues and therefore a 'risk stratification' will be used to ensure resources are targeted to maximise impact. Maintained schools will also be required to fully fund any brokered school to school support which may be required. In recent years for example, this has included additional leadership support brokered from local National Leaders of Education.

Free Travel

4.37 In respect of the providing Free Travel, it should be noted a local authority is only under a statutory duty to provide transport assistance if the nearest qualifying school is not within statutory walking distance of the child's home.

This is set out in the Education Act 1996 (as amended) or to certain children whose families are on a low income (Schedule 35B to the 1996 Education Act). Otherwise the provision of transport is at the local authority's discretion. This does not apply to children with Education Health Care Plans.

4.38 Manchester City Council's Free travel policy changed a number of years ago, as a result only where children meet the new criteria in this policy will they be entitled to transport assistance between their home and school. Transition to the new policy included honouring passes issued under the old policy until the child until they left the school. As the new policy has been in place for a number of years the number passes being honoured has reduced. In addition, the creation of more secondary school places across the City, subsequent reduction in number of passes issued and reduction in number of passes honoured against the old policy will realise a **£400k** saving against the Free Travel budget in 2021/22.

Strategic Business Support

4.39 This part of the service supports the service's social care system training offer to the workforce and information governance. The service has reviewed their approach to systems training, considering the unpredictability in demand for subject access requests and non-staffing costs, at this stage this review has identified a potential saving of **£80k** 2021/22 onwards.

Child and Adolescent Mental Health Services (CAMHS)

4.40 In line with previous budget savings plans for the council and after working closely with colleagues in MHCC (Manchester Health and Care Commission) and providers to support a review of CAMHS. The aim of this work was to ensure CAMHS were aligned with the Future in Mind report and NHS Long Term Plan published in 2018. The ambition of which is to maximise the investment of 10.4m to enhance and integrate a system wide mental health and wellbeing offer for all children in Manchester as set out in Manchester CAMHS Transformation Plan: https://www.mhcc.nhs.uk/publications/category/local-transformation-plan-children-and-young-peoples-mental-health-and-wellbeing

4.41 The Transformation Plan promotes preventative approaches for all children and young people and their families who experience Mental Health problems or who may be vulnerable and at greater risk of developing Mental Health problems through a range of community, specialist CAMHS services and Voluntary sector organisations to deliver a range of universal, targeted and specialist services such as the following and as shared with committee members in previous sessions:

- Core CAMHS
- Kooth
- IThrive
- Mental Health in Schools Service
- No Wrong Door – Alonzi House Hub Mental Health Support
- CAMHS Looked After Children (LAC)

- CAMHS Learning Disability
- Specialist care – ADHD
- Specialist Care – Autism
- Integrated Community Response Service

4.42 The proposal is to redeploy 3.5fte posts currently delivering a specialist CAMHS to work exclusively with looked children who are at risk of placement breakdown as part of the No Wrong Door/Alonzi House Service.These staff will work with children and their carers in respect of attachment, life-work, relationships and liaise with specialist core CAMHS. This in turn links to the approach set out in paragraph 4.25 and will release **£148k** from current vacancies/uncommitted resources.

Early Years

4.43 The two proposals are an integral element of the Early Years Delivery Model (EYDM) and contribute to the first 1000 days/ Start Well Strategy. The proposals relate to the following interventions/service:

- Commissioned Speech and Language Offer
- Sure Start Children's Centre Core Purpose

4.44 The original scale of investment in Early Years **speech and language,** £436k is not required in the medium term as a key aspect of this commission involves training of the Early Years' and health workforce, which has already been delivered at scale. A revised speech and language therapy pathway that maintains a commitment to early intervention and prevention and Wellcomm screening will be redesigned with our partners. It is proposed there would be a phasing to the reductions incrementally over the next three years, the phasing would be over a three-year period, starting in 2022/23 at a rate of **£100k** per annum. It is becoming increasingly evident the impact of the pandemic is leading to increase need for this support rather than reducing, like referrals to Children's Services. The approach to delivery of this saving will be reviewed in 2022.

4.45 The **Sure Start Core offer** is central to the integrated arrangements that underpin the delivery of the early years' service. In 2019/20 the Early Years' Service redesigned delivery arrangements in line with the Children's Locality Programme, Bringing Services Together and strengthened partnership with the Manchester Local Care Organisation requirements. As a result, there is the opportunity to rationalise the number roles. However, the implementation of this redesign has been delayed due to the current pandemic situation. The implementation of the redesigned neighbourhood model has recommenced and is planned to be implemented in April 2021. This will deliver efficiency of **£200k** 2021/22 onwards.

Mitigation of Anticipated Covid-19 impact and pressures

4.46 As anticipated in December 2020 contacts and referrals for a Children's Social Care service have increased; attributed to increased vulnerabilities in the community such as family poverty, domestic violence and detrimental impact on mental health and associated with the impact of Covid19. In order to manage the increased need of children and their families for services it is intended continued investment in targeted, ‘front door’, edge of care services and approach to permanency as outlined previously and are all expected to have a positive impact on managing this increased pressures. This coupled with an ongoing high performing Early Help service would indicate that the service is potentially resilient to meet the highly likely increase in need as a result of Covid-19 it is proposed that **£1m** of additional costs can be avoided 2021/22 onwards.

Use of Reserves

4.47 Section 4 the report sets out the options which are recommended to take forward. Not all the options can be fully realised in 2021/22. It is proposed that the following reserves are used to smooth out transition to reductions in budget.

- Dedicated Schools Grant (£1m) - Increase in contribution to support to multi-agency placements, 2021/22.
- Children’s Services Reserve (£311k) - reduction in current year reserve drawdown 2021/22.
- Children’s Services Reserves (£1.409m) - reduction in 2022/23 for shortfalls in Troubled Families grant. The Trouble Families grant is continuing 2021/22, this reserve will not be needed to off-set grant reduction in 2021/22.

Use of Grants

4.48 In addition to the Dedicated Schools Grant the Directorate’s budget is reliant upon a range of other service areas funded through government grant which are summarised in the table below and accompanying notes. At this stage, the 2020/21 budget is based on assumptions the equivalent level of grant for 2021/22, where updates have not been made available. Budgets will be updated in year as grant announcements are made. They are reflected in the gross expenditure budget detailed in Appendix two.

4.49 The details on each of these grants are as follows:

i. **Pupil Premium** - This funding supports disadvantaged pupils and assists them in decreasing the attainment gap between them and their peers. Pupil premium grant amounts per eligible child will remain unchanged for the financial year 2021/22. In addition to Local Authorities receiving the Pupil Premium grant to pay out to their maintained schools they receive an amount for each child they are looking after; they must work with the school to decide how the money is used to support the child’s personal education plan.

ii. **Universal Infant Free School Meal grant** – Universal infant free school meals (UIFSM) provides funding for all government funded schools to offer free school meals to pupils in reception, year 1, and year 2.

iii. **Key Stage Two Moderation** – This will cover the monitoring of the phonics screening check and moderation of key stage 2 writing teacher assessment by the local authority
iv. **Private Finance Initiative** – Education and Funding Agency grant related to two Manchester schools which have a 25 year contract with providers for facilities management.

v. **Youth Justice** - Supports services to respond to and reduce offending behaviour; addressing the risk factors associated with it.

vi. **Remand** – a contributory grant in respect of children remanded to youth custody, for which the full costs are met by the respective Local Authority.

vii. **Troubled Families** – A results based funding scheme that provides financial incentive, attachment fee and sustained success payments to get to improve outcomes for troubled families.

viii. **Staying Put** - grant to contribute to the financial costs that enable young people to continue to live with their former foster carers once they turn 18 and until they are 21 years of age.

ix. **School Improvement Monitoring and Brokering Grant** - The grant has been allocated to local authorities since September 2017 and to allow them to continue to monitor performance of maintained schools, broker school improvement provision, and intervene as appropriate. Manchester's allocation for next year is yet to be confirmed.

x. **Unaccompanied Asylum Seeking Children grant** - the Home Office make funding available to local authorities relating to their placement costs of supporting Unaccompanied Asylum Seeking Children (UASC). Manchester receives £143 per night per UASC under 18 year olds and £240 per week over 18 year olds.

Demography and Growth

4.50 It is proposed that the Children and Education Services cash limit budget will increase by £6.027m in 2021/22 for demography and growth in demand as a result of the pandemic.

4.51 **Demography -**. The demand has been determined based on the demographic numbers on which the 2020/21 budget was set compared to the current position and potential increase in demand informed by 3% population growth predictions.

4.52 Benchmarking of Manchester against other Greater Manchester local authorities, as well as 10 local authorities with the similar levels of deprivation indicates that LAC demand is likely to exceed population growth. Using a range of analysis, including correlation between Looked After Children demand and the 'trilogy of risk' (domestic violence, substance misuse and mental health) a more prudent forecast was based on a 3% increase in admissions each year, which equates to £1.953m in 2021/22, before taking account of the impact of Covid-19, during which time we have seen an increase in requests for help and support as well as incidents of domestic abuse/violence. Home to School Transport has also been quantified at a 3% increase and totals £274k.

4.53 **Growth -** In the short term it is expected that budget pressures for Children's Services will only increase. The Family Courts are still fully recovering from the impact of the national "lockdown" that continues to delay proceedings to deal with discharge from care. Over the Covid period, referrals to our services fell by 18% across the North West. However, more recently (November data) we are seeing are increasing in requests for early help and social work intervention. As a result, and as predicted this repressed need and impact from Covid is beginning to flow through the system, particularly as we have now significantly increased the number of children attending school.

4.54 In the medium term the repercussions of the pandemic are that there will be an increase in children's needs due to the increased vulnerability of families in the community associated with the increase in family poverty, family 'stressors' leading to domestic abuse/violence and parental mental health. There are some indications coming through from Core Cities that they are starting to see an upturn in Looked After Children placement numbers. As previously predicted the Manchester has experienced an increase in referrals this month.

4.55 The annual increase in Looked After Children in the City was 9.2% last year. Assuming placements increase at a similar rate 2021/22 creates a further budget requirement of £3.8m 2021/22 onwards.

4.56 The Directorate has indicated in paragraphs 4.47 what step it can take to safely 'manage down' the additional demand Covid-19 may create.

Pressures/risks

4.57 Paragraph below set out the emerging financial pressures/risks for 2021/22. Additional funding has not been allocated for this, but the risks need to be considered as part of the budget planning for next year.

4.58 **Early Years -** In 2012, the Council took the decision to withdraw from the direct provision of day-care services in order to move to a new model, with the Council acting as commissioner of day-care services. The condition of the Manchester City Council estate for tendered day care is in a poor state, which is having an impact on the environment Manchester children are experiencing. The cost of maintaining the buildings is prohibitive with providers requesting that the Council takes responsibility for repair and maintenance of the property whereupon they would be willing to pay a higher market rent. Over the last 3 years the existing arrangement with providers has led to 15 settings withdrawing from the market. With lease income being £288k lower than expected and running costs of maintained tendered day care sites being higher than budgeted for there is a recurring pressure on the budget; with a risk this may increase should 'provider income' reduce further. A review of the current arrangements with tendered day-care is well underway and is expected to be concluded in the forthcoming financial year. The Directorate will look to manage this pressure through the Sales, Fee and Charges 75% grant.

4.59 **Youth Justice Services Accommodation** - It is critical that the service ensures that accommodation for the service is safe for children and staff. This will continue to impact on service delivery with the lack of readily available and suitable premises. This has delayed the implementation of some planned changes. Corporate Property colleagues are working to identify appropriate office space. Once suitable premises are identified there is a risk that this will add an additional financial pressure on Children's Services.

4.60 **Additional Demand Due to Impact of Covid-19 -** As stated earlier in the report it is likely that the Directorate will see additional costs pressures due to the impact of Covid-19, this is outlined paragraph 4.12 of the report.

5.0 Our Corporate Plan

5.1 Our Corporate Plan describes the Council's contribution over the next 2-3 years to delivering the Our Manchester Strategy 2015-2025. These priorities have been refreshed for 2021-22 to align with the reset of the Our Manchester Strategy and to further strengthen the council and city-wide focus on the importance of Equality, Diversity and Inclusion.

5.2 These budget proposals are aligned to our Corporate Plan to ensure the priorities will be achieved. Our Corporate Plan themes and revised priorities are set out in table three below:

Table 3: Corporate Plan Themes and Priorities

Theme	Priority
1. 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*	Support the citywide Climate Change Framework 2020-25 including the Council's roles in reducing citywide CO_2 emissions and improving air quality
	Deliver activities to reduce the Council's own direct CO_2 emissions by at least 50% by 2025, as set out in the Manchester Climate Change Action Plan 2020-25
2. Growth that benefits everyone *Boost the city's productivity and create a more inclusive economy that all residents participate in and benefit from, and contributing to reductions in family poverty, as set out in the Our Manchester Industrial Strategy*	Deliver the Economic Recovery Plan, supporting the delivery of key growth schemes and the protection and creation of good-quality jobs for residents, enhancing skills, and effective pathways into those jobs. Includes support to Manchester's businesses and residents affected by challenges to the international, national and local economy.
	Facilitate economic growth and recovery in different sectors of the economy, which supports the creation of a more inclusive economy.

	Support residents in order to mitigate the impact of poverty and take actions to reduce the number of people experiencing poverty, in particular given the effects of COVID-19. Including young people, older people, BAME groups and people with disabilities
3. 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*	All children to have access to a high-quality education, which is provided in an inclusive way. Children's school attendance to be achieved and sustained at or better than historic levels.
	Support more Manchester children to have the best possible start in life and be ready for school and adulthood. This includes ensuring that the voice of children and young people is heard, and that they have access to youth, play, leisure, and cultural opportunities.
	Reduce number of children needing a statutory service.
4. 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*	Take actions to improve population health outcomes and tackle health inequalities across the city.
	Support the next phase of health and social care integration in the city, including plans to supercharge Manchester Local Care Organisation.
	Enable delivery through the MLCO of the Adult Social Care transformation programme – 'Better Outcomes, Better Lives' – focused on taking a strengths-based approach, supporting independence, building on the ASC improvement programme and embedding this into the MLCO Operating Model.
	Reduce the number of people becoming homeless and enable better housing and better outcomes for those who are homeless
5. Housing *Ensure delivery of the right mix of good-quality housing so that Mancunians have a good choice of quality homes*	Support delivery of significant new housing in the city, including through an effective recovery from COVID-19.
	Ensure inclusive access to housing by the provision of enough safe, secure and affordable homes for those on low and average incomes. This includes strategically joining up provision, and the improved service to residents enabled by

	direct control of Council owned housing in the north of the city.
6. Neighbourhoods *Work with our city's communities to create and maintain clean and vibrant neighbourhoods that Mancunians can be proud of*	Enable all our diverse neighbourhoods to be clean, safe and vibrant.
	Embed neighbourhood working across the whole Council and our partners, and deliver services closer to residents.
7. 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, whilst increasing walking and cycling.
	Facilitate the development of the city's digital infrastructure, to enable delivery of transformed public services and a more economically inclusive and resilient city.
8. Equality *Deliver on our equality, diversity, and inclusion commitments to support Manchester's vision to be a progressive and equitable city.*	Work together with Manchester's citizens and our partners to understand our diverse communities, improve life chances, and celebrate diversity.
	As an employer, ensure a fair and inclusive working environment which recognises, values and responds to the dynamics and opportunities of a diverse workforce.
9. Well-managed council *Support our people to be the best and make the most of our resources*	Development of the future shape of the Council, along with budget reductions and savings.
	Effectively manage our resources, via budget management and planning, support to managers and performance management.
	Carry out the work required to transform our Corporate Core.

6.0 Impact on Workforce, Residents, Risk Management and Legal Considerations

Workforce

6.1 The Children and Educations Directorate currently has a budgeted workforce of 1,316 fte. The projected workforce impact of activity to deliver the savings options a reduction of 14 fte. This is not a significant change and it can be managed through the Council's mpeople principles, which focuses on supporting staff to move across the Council to meet its current and future need. The detailed impact on specific roles will continue to be identified as options are developed over the coming weeks and months. This process will be supported by continuous engagement with the workforce and Trades Unions.

6.2 Effective and robust workforce planning arrangements are in place to ensure that, as functions and roles change, the skills and focus of the workforce are effectively developed to ensure the Directorate is able to meet its strategic priorities.

6.3 The workforce implications for children’s and education services represent a continuation and improvement of existing priorities as expressed in the workforce strategy; which is to achieve a stable, confident and talented workforce through a culture of success, strengths-based approach and strong and effective leadership and management which will be achieved through:

- The continuing development and implementation of the Children’s improvement plan
- Implementation of the Children’s Locality Model programme
- Developing strong and effective leaders and managers; enabling them to create high performing and motivated team
- Effective recruitment and retention; to ensure the Directorate has the skills to meet current and future needs.
- Managing and improving the health and wellbeing of the workforce; with a specific focus on reducing absence and improving attendance.
- Building a high impact learning culture which ensures staff feel empowered and equipped to practice to high standards.
- Ensuring professionals that work with children and young people have manageable workloads
- Continue to reduce the reliance on interim and agency workers

Impact on Residents, Communities and Customers

6.4 Children's and Education Services deliver core business in line with the Council's strategic equality objectives in particular improving Life Chances; where there are specific needs identified these are informed by an individual assessment that gives due regard to their race, faith, religion, belief, sex, sexual orientation and disability.

6.5 We will continue to ensure that the Council meets its obligations under the Public Sector Equality Duty, building on our successes at fostering good relations between Manchester’s communities of identity and maintaining fair and equal access to Council functions. The Directorate is committed to understanding and addressing the effects and impacts of its activities for the diverse range of people using the service. To achieve this, we are committed to undertaking where required and monitor equality analysis of our new or altered functions, to ensure they are accessible and inclusive and do not cause adverse equality impacts. The service will use the Council's Equality Impact Assessment framework to do this. We will strengthen and utilise our growing evidence bases at both Corporate and Directorate levels to identify the differential experiences of individual identity groups in Manchester accessing Council services, remove barriers and proactively respond to make these as fair and equitable as possible.

Risk Management

6.6 Children’s Services will seek to manage all expenditure within the approved budget available and performance against budgets will be monitored and reported to the Executive and Elected Members on a regular basis, this will include a risk register with any mitigations identified.

Legal Considerations

6.7 There are no legal implications arising from this report.

7.0 Consultation

7.1 The savings options being considering protect residents’ front-line services where possible and take into account what we’ll need to recover from the pandemic. A number of Children’s savings are service efficiencies. We believe that these options help us stick to the priorities that residents, businesses and our partners have helped us set, to make our city the best it can be in the coming decade – taking this opportunity to start reshaping our services and workforce to fit our city’s future.

7.2 A public consultation is currently underway asking residents for their views on the Council's 2021/22 budget savings options. The consultation opened on 20 January 2021 and runs for a period of four weeks, closing on 21 February 2021. In addition to promotion via the Council's website, social media channels and e-bulletins, a consultation toolkit has been shared with community partners, voluntary and community sector partners, Councillors and key stakeholders to ensure that the consultation is promoted widely within our communities. The consultation can be found at: www.manchester.gov.uk/budget. The results will be shared at the Budget Resource & Governance Scrutiny Committee on 1 March 2021.

8.0 Conclusion

8.1 Since 2016 significant progress has been made in the quality and subsequent impact of Children and Education Services on the lives and outcomes of Manchester’s children; whilst acknowledging there is more to do to realise our ambitions for their welfare and future. However, whilst there are risks (as indicated in paragraph 6.4) the benefits of this progress and an effective commissioning arrangement has informed the proposals as outlined in section 4 along with the planned demography and anticipated pressure arising from Covid-19.

8.2 Should the proposed savings options be agreed and applied this would lead to a reduced budget of £10.995m.

8.3 Table four below summarises the projected budget for 2021/22, which is reflective of demographic and proposed growth; as well as the all officer options set out in the report.

Table 4: Proposed budget 2021/22 Approved MTFP

Service Area	2020/21 Net Budget £'000	Approved savings £'000	Investment and other changes £'000	2021/22 Net Budget £'000
Children's Safeguarding	110,073	-10220	5,753	**105,606**
Education	17,466	-1,929	274	**15,811**
Directorate Core and Back Office	4,689	-210	0	**4,479**
Total	**132,228**	**- 12,359**	**6,027**	**125,896**

8.4 It is also important to consider the interdependence and impact of proposals to be considered by other scrutiny committees in due course such as Facilities Management, Public Health and Manchester Fayre.

8.5 In conclusion, the Council is facing a significant budget deficit and uncertainty in respect of demand for services during and post Covid. It is therefore imperative contingency planning and financial savings are considered whilst balancing the challenges associated with securing an immediate financial reduction that leads to a negative impact in the medium/longer term; as so can often occur in Children's Services. The proposed revenue budget for 2021/22 sets out the budget proposals as part of the preparation of the Council's budget. It is a one year budget which recognises that the Children and Education budget is under significant pressure due to increased complexity and need.

Appendix One: Subjective Analysis

Subjective Heading	2020/2021 Budget £'000	2021/2022 Indicative Budget £'000
Expenditure:		
Employees	61,796	61,496
Running Expenses	434,851	447,408
Capital Financing Costs	-	-
Contribution to reserves	1,975	975
Total Subjective Expenditure	**498,622**	**509,879**
Less:		
Other Internal sales	-	-
Gross Expenditure	**498,622**	**509,879**
Income:		
Government Grants	358,258	376,847
Contributions from Reserves	2,182	1,182
Other Grants Reimbursements and Contributions	4,747	4,747
Customer and Client Receipts	1,157	1,157
Other Income	49	49
Total Net Budget	**132,228**	**125,896**

Appendix Two: Children Grants

Grant Program	Service Area	Grant Funding £'000
Dedicated Schools Grant	Education	339,719
Pupil Premium	Education	21,808
School Improvement Grant	Education	424
Universal Infant Free School Meal	Education	4,049
Youth Justice Board	Children Services	1,161
Unaccompanied Asylum Seekers Children	Children Services	5,627
Remand	Children Services	466
Troubled Families Grant	Children Services	3,044
Key Stage Two Moderation Grant	Education	17
Staying Put Grant	Children Services	529
Total		**376,847**

Manchester City Council
Report for Resolution

Report to: Health Scrutiny Committee - 9 February 2021
Executive – 17 February 2021

Subject: Adult Social Care and Population Health Budget 2021/22

Report of: Chief Executive Manchester Local Care Organisation and Executive Director of Adult Social Services

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Summary

As a result of the COVID-19 Pandemic there has been additional demand for services and reductions to Council's income (as set out in the global monitoring report to Executive 17 Feb 2021). This left the Council facing a significant budget gap for 2021/22 onwards. Funding announcements in the government's spending review on 25 November and provisional local government finance settlement on 17 December mean the Council will not be facing the worst-case scenario for 2021/22, (which was a shortfall of around £100m). The government settlement assumes eligible Councils will increase Council Tax by 3%, for the Adult Social Care precept. After accounting for additional Adult Social care funding through both additional precepts and grant the revised savings proposals from all Directorates total £41m.

This report details the service and financial planning and associated budget strategy work that is taking place for adult social care with partners across the health and care system.

It details the identified and proposed opportunities to make savings in 2021/22 aligned to the remit of the Health Scrutiny Committee, to support the City Council to achieve a balanced budget in 2021/22.

As adult social care is both within the MHCC health and care pooled budget, works in partnership and is increasingly focused on integrating with community health services through the Manchester Local Care Organisation (MLCO); this report is jointly presented to the Scrutiny Committee by the key partners of MHCC, MCC and MLCO, noting the areas that will be led by MLCO.

It is important to note that the health contribution to the pooled budget is currently unknown as the NHS has not published the financial regime for 2021/22 yet.

Recommendations

The Health Scrutiny Committee is asked to consider and make comments on the budget proposals identified prior to being considered by Executive in February 2021.

The Executive is recommended to approve these budget proposals.

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 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 how this report aligns to the OMS
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 as set out in the Corporate Plan which is underpinned by 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, work	
A connected city: world class infrastructure and connectivity to drive growth	

Contact Officers:

Name: Katy Calvin-Thomas
Position: Chief Executive Manchester Local Care Organisation
Telephone: 07789 938739
E-mail: katy.calvinthomas@nhs.net

Name: Bernie Enright
Position: Executive Director of Adult Social Services
Telephone: 0161 234 4207
E-mail: bernadette.enright@manchester.gov.uk

Name: Laura Foster
Position: Director of Finance Manchester Local Care Organisation
Telephone: 07779 981001
E-mail: laura.foster2@mft.nhs.uk

Name: Sarah Broad
Position: Deputy Director Adult Social Services (Interim)
Telephone: 07966 229569

E-mail: sarah.broad@manchester.gov.uk

Name : Simon Finch
Position: Head of Finance Adult Social Services
Telephone: 07939 132452
E-mail: simon.finch@manchester.gov.uk

Background documents (available for public inspection):

Not applicable.

1.0. Introduction

1.1. A key priority of the Our Manchester Strategy is to radically improve health and care outcomes in the city. Manchester has some of the poorest health outcomes in the country, and there are very significant health inequalities within the city. It has been agreed through the Manchester Partnership Board that the role and function of Manchester Local Care Organisation (MLCO) is to be the delivery vehicle for reducing health inequalities and improving population health of people in Manchester. This has become even more critical due to the disproportionate impact of COVID on many of our communities.

1.2. The Locality Plan, 'Our Healthier Manchester', represents the first five years of ambitious, transformational change needed to deliver this vision. The Locality Plan is fully aligned with the Our Manchester approach. This will mean supporting more residents to become independent and resilient, and better connected to the assets and networks in places and communities. Services will be reformed so that they are built around citizens and communities, rather than organisational silos. The Locality Plan is aligned to the Council's Corporate Plan priority - 'Healthy, Cared for People'.

1.3. Manchester City Council's Adult Social Care (ASC) services support people who have been assessed and meet the eligibility for care and support under the Care Act 2014. Following an assessment, a support plan sets out how the needs of people will be met and services are arranged to meet that need and help people to continue to live as independently as possible.

1.4. The Population Health (PH) commissioning and strategic role is set out in the Manchester Population Health Plan, the City's overarching plan for reducing health inequalities and improving health outcomes for residents across the life course.

1.5. For 2021/22, the budget plan for Adult Social Care will be essentially part of the Manchester Local Care Organisation (MLCO) Operational Plan. This report provides the final budget proposals following Scrutiny consideration of key considerations in November 2020 and January 2021. An overview and update of the development of the MLCO Operating Plan is provided at **Appendix 2**. For Population Health, the necessary focus on COVID-19 by the Director of Public Health (DPH) and the Population Health Team, means that 2021/22 will now be the transition year to ensure the appropriate transfer of some population health functions and associated budgets to the MLCO. The DPH will work with the Chief Executive of the MLCO, Deputy Chief Executive and City Treasurer and MHCC Chief Finance Officer to agree the Transition Plan by 31 March 2021.

1.6. The City Council is working with NHS Partners to strengthen the MLCO by continuing to support the planned transfer of functions and actions to accelerate health and social care integration through the LCO in the city. This is a critical area of development given the challenges faced by the response and recovery from Covid-19, the financial circumstances of all partners, widening of health inequalities in the city, and potential national policy and legislative changes for the NHS and social care.

1.7. A key component of this work for 2021/22 will be around revising the governance and financial frameworks associated with the partnership between MCC and Manchester CCG (MHCC) and the partnership between MCC and MFT (MLCO) including pooled budget arrangements. Officers are working to prepare the new arrangements for implementation for 2021/22 and a report will be brought back to Health Scrutiny with further details once drafted for consideration. Similar to previous arrangements however, the Council will determine the scale of contribution into the pooled budget, and this is detailed in this report.

Background and Context

2.0. ASC Statutory Responsibilities - Services, Eligibility, Care and Support

2.1. Manchester City Council has statutory responsibilities to meet the requirements of the Care Act 2014. The Act entitles all adults to a social care assessment, and, subject to meeting the threshold for eligibility, the care and support required to meet their needs and outcomes set out in the Act.

2.2. This support ranges from advice and information (minimal cost) to very intensive services (potentially costing several hundreds of thousands of pounds per person per annum). Whilst the Care Act 2014 places a statutory duty on ASC to meet assessed needs and outcomes it does not prescribe how these should be met. In discharging its statutory duty ASC retains discretion to determine how an individual's needs and outcomes should be met within available resources.

2.3. Adults Eligibility: The Care and Support (Eligibility Criteria) Regulations 2014 sets out the eligibility criteria and determines an adult meets the eligibility criteria if:

(i) the adult's needs arise from or are related to a physical or mental impairment or illness;
(ii) as a result of the adult's needs the adult is unable to achieve two or more of the outcomes specified below; and
(iii) as a consequence there is, or is likely to be, a significant impact on the adult's well-being.

2.4. The outcomes that are specified for adults are: Managing and maintaining nutrition; Managing and maintaining hygiene; Managing and maintaining toileting needs; Being appropriately clothed; Being able to make use of the home safely; Maintaining a habitable home environment; Developing and maintaining family and personal relationships; Accessing and engaging in work, training, education or volunteering; Making use of necessary facilities or services in the local community including public transport, recreational facilities and services; Carrying out any caring responsibilities the adult has for a child.

2.5. For the purposes of this regulation an adult is to be regarded as being unable to achieve an outcome if the adult:

(i) is unable to achieve it without assistance;
(ii) is able to achieve it without assistance but doing so causes the adult significant pain, distress or anxiety;
(iii) is able to achieve it without assistance but doing so endangers or is likely to endanger the health or safety of the adult, or of others; or is able to achieve it without assistance but takes significantly longer than would normally be expected.

2.6. These eligibility criteria apply equally to Carers, where the carer's physical or mental health is, or is at risk of, deteriorating and is unable to achieve similar outcomes; unable to achieve care without assistance; without causing the carer significant pain, distress or anxiety; or is able to care without assistance but doing so endangers or is likely to endanger the health or safety of the carer, or of others.

2.7. In Manchester, this means that we support a large number of Manchester residents meeting adult social care needs. At December 2020 (latest complete figures) we supported:

- 4,943 older people (long term support to 65+)
- 2,809 younger adults (long term support to 18-64)

These figures include:

- 1,246 adults with learning disabilities (long term support)
- 652 adults with mental health needs (long term support)
- 6,208 of the people we support are living in the community
- 1,016 people in residential care
- 528 in nursing care

We provide:

- Homecare to 1,974 people
- Supported accommodation to 756 people
- Support via shared lives schemes to 174 people
- Support via an extra care scheme or neighbourhood apartment to 125 people
- Cash personal budget or Individual Service Fund to 631 people
- Day care to 349 people

In addition:

- nearly 10,000 (9,519 in 2019/20) items of equipment and adaptations are installed/provided annually
- c.6,000 blue badges (6,378 in 2019/20) are issued annually and
- in 2019/20 1,818 people benefitted from our core reablement service.

- 621 carers were assessed in 2019/20
- 8,818 safeguarding concerns were responded to
- 1,255 safeguarding enquiries were completed

3.0. Population Health

3.1. The Population Health (PH) commissioning and strategic role is set out in the Manchester Population Health Plan, the City's overarching plan for reducing health inequalities and improving health outcomes for residents across the lifecourse. The social and economic impact of Covid-19 has further exacerbated health inequalities in the city.

3.2. The Manchester Population Health Team is currently leading the City's public health response to Covid-19 as set out in the 12 Point Action Plan which is updated on a monthly basis. The Plan includes the detail of key actions to be undertaken in relation to the Manchester Test and Trace Service, managing outbreaks, community engagement and communications, work with schools, universities and businesses and specific sections on our most vulnerable residents and care homes.

3.3. The Population Health Team is also responsible for commissioning a range of preventative services (children's public health, wellbeing, drugs and alcohol, and sexual health services) totalling approximately £34m. These services address health impacts upstream to reduce demand on more expensive health and social care services.

3.4. The majority of these services are mandated responsibilities, i.e. services that must be provided such as Health Visiting, Schools Nursing, Open Access Sexual Health Services and Health Protection Services.

3.5. The Public Health Grant was reduced by 6.2% (£3.3m) in 2015/16, with further reductions of 2.2% in 2016/17, 2.5% in 2017/18, 2.6% in 2018/19 and 2.6% in 2019/20. The impact on Manchester's public health funding was a £8.652m reduction by 2019/20. There was a major redesign and recommissioning of all public health services from 2015 and significant savings were delivered across all key programme areas including 25% savings for drugs and alcohol, 33% savings for sexual health, 50% savings across wellbeing services and 15% savings across children's public health.

3.6. Despite the capacity challenges of Covid-19 the Manchester Population Health Team continue to work on the overarching Wellbeing Model for 2022, which will bring all services together in an integrated way under the MLCO arrangements. This model will deliver a significant return on investment over a longer term timeframe and improve health outcomes for residents.

4.0. Covid-19 Pandemic and the ASC Improvement Programme - Context and Impact on Adult Social Care

4.1. The Covid-19 pandemic presents a unique challenge for the country and Manchester. It also presents a challenge to ASC to undertake it's functions of assessment, support planning, monitoring, review and safeguarding (the five core responsibilities of social work within the service) and the commissioning and delivery of care and support though internal services and the social care market within Manchester.

4.2. ASC has played a critical role in supporting vulnerable people across the city to remain safe and as independent as possible, continuing to live within the community and preventing crisis and the need for more intensive health and social care services. In addition, throughout the pandemic, work has continued with the hospitals on rapid discharge arrangements to discharge people as soon as people are medically fit, ensuring valuable capacity is available in the hospitals.

4.3. From the outset, ASC's response plan was structured around clear objectives:

(i) Continuity of care for vulnerable people assessed under the Care Act;
(ii) Minimising risk of harm/fatality; and
(iii) Protecting the credibility and reputation of health and social care and partners (it is important at times of national crisis that Manchester people see that our social care and health system has acted in the best interest of people and in a joined up way that has met their needs - this deepens the trust and future co-operation as public services and residents face future challenges together).

4.4. Focusing on these three objectives has meant that the service has responded well to the pandemic including ongoing support to care providers, ensuring supply and provision of PPE, testing of citizens and staff, recruiting additional support workers to meet capacity gaps and undertaking safe and well calls to support vulnerable citizens and those not accessing services. The service has been able to keep a close overview of issues and challenges within social work teams, in house provider services and the external care market throughout the response period, which has meant that support provided has been targeted and managed and there has been no need to enact Care Act Easements provisions at stage 3 and 4 introduced through emergency legislation nationally. Only a very limited number of services were paused (within Provider Services) whilst other services have continued to operate throughout the pandemic, adapted to be delivered in a different way.

4.5. Central to making this possible was the support from the Council over the last 18 months to invest to re-build front line staffing levels, to improve leadership and support to the social work assessment function and the commitment to the Improvement Programme within ASC. The investment for 2019/20 and 2020/21 to stabilise and build strong foundations in the service provided significant resilience to be able to work through the challenges of the pandemic.

4.6. Limited work has continued on the Improvement Programme in 2020/21 with capacity being required to respond to Covid-19. The work has included reducing waiting times across the service and improved leadership and performance management. The investment has led to a significant reduction in the waiting list and other improvements in practice. Between November 2019 and November 2020 (latest data) there has been a 69% reduction in waiting lists for those entering the service prior to allocation (i.e. 69% fewer citizens waiting), a 42% reduction in waiting lists for work ongoing and 38% reduction in waiting lists for reviews. There is ongoing work to further reduce the waiting lists.

4.7. The rest of the year will present a particular challenge as ASC is likely to face increased contact from citizens for support and will need to make assessments and set up care and support within the best practice of social distancing and PPE to prevent / mitigate the risks of a local outbreak of the virus. In addition, safeguarding enquiries are increasing which puts significant pressure on neighbourhood and specialist community teams. The recent move to Tier 3 and Covid-19 Wave 2 adds significant additional risk into service and financial planning.

4.8. There are still a number of areas of focus for ASC going forward, which will need to be prioritised as part of wider recovery planning within our health and social care LCO and through the Better Outcomes, Better Lives programme. This will need to ensure that the work to stabilise and strengthen the service continues. This includes ensuring that the processes within Liquid Logic and the financial system (contrOCC) are working effectively and support practice and payments; continued roll out of strengths based working including strength-based practice framework; further strengthening management and supervision arrangements.

Revenue Strategy

5.0. <u>2021/22 Budget Context</u>

5.1. The Adult Social Care and Population Health budget priorities relate to the Corporate Plan priority theme of **‘Healthy, Cared for People’**. This is to work with partners to enable people to be healthy and well and support those who need it most, working with them to improve their lives:

- Support Mancunians to be healthy, well and safe
- Improve health and over time 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

5.2. The Adult Social Care Improvement Programme in Manchester that commenced in 2018 has been driving 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. The outstanding work of this programme has been rolled into the ASC transformation programme; Better Outcomes, Better Lives to ensure the investment made is optimised and benefits and impact realised.

5.3. The 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 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. 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.

5.4. The Care Market is a vital component of the ASC system supporting Manchester to meet statutory responsibilities and supporting Mancunians to live as independently as possible. During 2020/21 considerable work was prioritised to support our care market in response to Covid-19 and ensure services continued to be delivered to support vulnerable people. Focussed work during 2021/22 will evaluate our current and future needs and the capacity, quality and sustainability of our independent care market. There is potentially a need for capital investment to allow market intervention, enabling a response should market failure occur to ensure continuity of service. This may be short-term in nature, but could be of vital importance to limit the impact of such market issues on residents. Linked to collaboration work with partners, investment may also be needed to build capacity, and in particular creating capacity for specific care needs to ensure that there is appropriate provision for vulnerable residents. This may require new build facilities, or the acquisition of existing buildings which can be tailored to care models.

5.5. Progress is being made to implement integrated health and social care that improves outcomes for residents. The new ways of working in the INTs are starting to deliver changes and the new care models are starting to demonstrate improvements in outcomes.

5.6. The ASC budget can be considered in three parts:

- **the workforce** including social work practice,
- **prevention and reablement** – services provided to help reduce, prevent or delay the need for ongoing formal care or services to help people regain their independence and ability to meet their own needs
- **long term care provision** - ongoing formal care to meet the needs of people to help them to continue to live as independently as possible.

5.7. Significant progress has been made to invest in structures in recent years to ensure the workforce establishment infrastructure is fit for purpose through the improvement plan. Reductions in prevention can have a significant impact as those services often prevent, delay or reduce the need to statutory care and support requirements. The service and finance work programmes are therefore focused on long term care.

5.8. It is not currently expected that budget work in view in this report will have consultation implications for the existing City Council workforce. However, work to accelerate progress towards health and social care integration in the city may lead to further organisational change in due course.

6.0. 2021/22 Budget Proposals

<u>2020/21 Base Budget</u>

6.1. The 2020/21 base budget, approved at the start of the year, was £221.253m and the current 2020/21 budget is £221.003m and is broken down in table 1 below. The key changes to the budget are as follows:

(i) Reduction to reflect the updated employer superannuation rate and pay award allocation (£-0.303m);
(ii) Other minor budget amendments (£0.053m); and
(iii) There has also been changes to individual budget lines in relation to in-year allocations of funding from within the approved budget. This includes demographic growth, price inflation and funding for the national living wage. There remains £2.6m of price inflation and demographics which will be allocated before the end of 2020/21.

Table 1: 2020/21 Budget

Service Area	Narrative	2020/21 Gross Budget £'000	2020/21 Net Budget £'000	2020/21 Budget FTE
Localities	INT Social workers and primary assessors	13,945	8,494	278.19
Reablement	Core reablement	8,802	5,361	334.67
Learning Disability	Social workers, supported accommodation, short breaks, shared lives and external care	77,744	70,216	623.05
Mental Health	Emergency duty, social workers, external care, supported accommodation	29,313	27,111	7.00
Other Care	Day centres, equipment, community alarms, information and advice, cash PBs, carers, homecare, residential and nursing care, external supported accommodation, day care	71,153	47,544	113.50

Service Area	Narrative	2020/21 Gross Budget £'000	2020/21 Net Budget £'000	2020/21 Budget FTE
Public Health	Wellbeing, sexual health, drugs and alcohol, childrens, health visitors, staffing	42,539	39,717	46.50
Commissioning	Extra care, sheltered housing, homelessness, staffing	11,675	11,442	37.20
Specialist and support services	Staffing	9,862	3,686	95.00
Demography, Inflation and National Living Wage	Remaining balance (to be allocated) of the allocation to reflect population changes and for annual uplifts	2,576	2,576	0
Pooled Budget		**267,610**	**216,147**	**1,535.11**
Asylum		2,982	57	7.00
Voluntary & Community Sector (Adults)		2,096	2,097	0
Safeguarding	Staffing	2,702	2,702	45.50
Other ASC		**7,781**	**4,856**	**52.5**
Total		**275,391**	**221,003**	**1,587.61**

Budget Pressures, Investment and Demography

6.2. For 2021/22, the Council's contribution to the pooled fund will be increased by £19.916m. This is to cover:

(i) The costs of non-pay inflation and an allowance for the National Living Wage (NLW) increase (£3.621m). This figure has been adjusted for the changes to NLW (to increase to £8.91 an hour, up 2.2%. Previously expected to be £9.21) and for the public sector pay freeze. If the position on public sector pay changes then any pay award will be funded;

(ii) Increased demand associated with population growth (£2.831m); and

(iii) £13.464m for the estimated ongoing impact of Covid-19. This is to cover the full year effect cost of discharges (£9.3m), costs for PPE (£2.5m), social work capacity (£0.8m) and population health (£0.8m).

Efficiency Proposals, Social Care Precept and Social Care Grant

6.3. In addition, due to the difficult financial situation facing local government, a £20m savings target was agreed for Adult Social Care. The savings target is being achieved via the ASC Transformation Programme, aiming to improve care pathways and focus support on independence for Manchester People, now renamed as 'Better Outcomes, Better Lives'. The report provides more detail on the programme and whilst the overall savings target is achievable (subject to significant system wide support to delivery arrangements and to specifically address the conditions of success and preventative investment recommendations) this will take 4 years to achieve in full, with a £6.097m net saving for 2021/22. The report to November Scrutiny Committee and Executive therefore set out that the balance was expected to be met from one off system support funding and likely additional central government funding for social care.

6.4. A total of £5.5m system support has been identified to support the budget position in 2021/22 including a recommended carry forward of £1.5m public health funding from 2020/21 (where the focus on Covid-19 related activities has meant that the full allocation has not been spent) and £2.5m residential and nursing funding (where government funding through health has substantially funded new discharges into care over 2020/21), together with £1.5m from MCCG.

6.5. The Spending Review has been announced and the Provisional Finance Settlement has now been published. This included the provision for a 3% social care precept and a one-off £6.316m Social Care Grant for Children's and Adults Services. The grant will not be built into the funding base for 2022/23. It should be noted that the Council has already made provision for the additional costs relating to Covid-19 and demographic growth in the allocation to the pooled budget. The announcements for Public Health grant have not been received, although it has been indicated that there is unlikely to be an inflationary uplift.

6.6. The Council consultation on the 3% precept closed on 24 December. The Council is minded to take the full 3% increase and the funding, worth £5.077m, would be added to the Pooled Budget to support the funding of the £19.916m investment required to meet the ongoing costs from Covid-19 and demand and inflationary pressures detailed. In addition, £3.326m from additional Social Care Grant funding would also be deployed. This would reduce the savings target from £20m to £11.597m.

6.7. The £11.597m target will be met, £6.097m from the £18.400m savings programme through Better Outcomes Better Lives will be delivered in 2021/22, with the full amount being delivered by 2023/24. The balance of £5.500m from one-off system support as detailed above. The level of savings will increase in future years and replace the one-off grant and support funding provided.

6.8. The Social Care grant is a one-off amount of £6.316m. As stated above, £3.326m will be required to support the pressures detailed, leaving a balance of £2.990m of grant funding available. It is proposed that £2.690m of the remaining balance of the social care grant is allocated to the pool for investment (the balance of £0.300m to Childrens Services).

6.9. For 2021/22 the budget proposals represent a total additional investment of £22.606m to the pool (£19.916m para 6.2 and £2.690m social care grant) and £11.597m savings of which £6.097m are recurrent to be delivered in 2021/22 through Better Outcomes Better Lives and £5.500m is delivered through system support. This is felt to be reasonable in the light of the pressures and risks faced. The position for the delivery of the £11.597m target is also summarised in the table below:

Delivery of savings target	**2021/22 £'000**	**2022/23 £'000**	**2023/24 £000**
Better Outcomes Better Lives	6,097	13,100	18,400
Health and Social Care System Support	5,500	0	0
To be identified	0	1,823	0
Total	**11,597**	**14,923**	**18,400**

NB the increase in 2022/23 reflects that the social care grant being used to meet pressures in 2021/22 (£3.326m) is not built into the base budget.

6.10. The proposed deployment of the balance of social care grant within the pool (£2.690m) is:

(i) Supplementing the demographic funding by £1.090m to support increased capacity within the in-house supported accommodation for people with Learning Disabilities to fund the costs of supporting the new units through the expansion of capacity at Freshwater, Northfields and Scout Drive which in total have added 60 units of capacity. The increase in capacity and type of accommodation is a significant development and has enabled:

- Individuals to live in new purpose built accommodation with their own front door with the aim of increasing independence;
- A more responsive service over the Covid-19 period;
- The opportunity to pilot Technology Enabled Care including 'just roaming' devices; and
- An opportunity to build teams around people ensuring we deliver person centred care and support.

(ii) One-off funding for additional capacity, including external support, of £0.600m to support the implementation of the Better Outcomes, Better Lives programme. The transformation programme and associated savings builds on the areas of previous Adult Social Care savings which due to issues with capacity with the need to implement the Improvement Plan and more recently the impact of Covid-19, have not been fully realised. The additional support is to provide the capacity and rigour to ensure delivery; and

(iii) To establish a £1.000m public health reserve. There has been an underspend this year while the team have focused on COVID, but it is anticipated that demand for services will increase and in particular, there will be cost pressures if no inflationary funding is provided.

6.11. As the Social Care grant is one-off permanent funding solutions will need to be found for the new Learning Disability units which were originally going to be met through the associated reduced use of other provision as well as for any public health requirements that are ongoing in nature.

6.12. It is important to note that this report only covers the Council's contribution to the Pooled Fund for Adult Social Care. The Health contribution to the Pooled Budget has not been confirmed and that the NHS Financial Regime for 2021/22 has not been published yet. Before the Pooled Fund can be agreed it will be necessary to see the full financial position. In addition, prior to agreeing the Pooled Fund for 2021/22 a full report will be brought to Scrutiny Committees and the Executive with the updated S75 agreement and the full budgets in scope of the Pooled Fund from the Council and Health Partners.

Other Budget Changes

6.13. The budget for Homelessness commissioned services (£6.095m) has been transferred to the Homelessness Cash limit to reflect the placement of responsibilities. This therefore reduces the investment and other changes budget figure in Table 2 below from £22.606m to £16.511m.

6.14. The extra care expansion programme continues through 2021 with the addition of schemes at Brunswick, Oaklands House, Gorton and Dahlia House which will add 329 units of additional capacity over the period Sept 2020 to Sept 2021. The revised Extra care 2021/22 budget is detailed in the table below. The additional cost of £1.128m in 2021/22 will be funded through the increase in the Better Care Fund (£0.858m) with the balance (£0.270m) from resources set aside for care budgets within the 2021/22 budget strategy. The extracare programme is a critical element of delivering Better Outcomes Better Lives.

	Expected Completion	**Additional Capacity**	**2020/21 Budget £'000**	**2021/22 Budget £'000**	**2021/22 Increase £,000**
Oaklands House	May-21	36	365	346	-19
Elmswood Park	Sep-20	72	452	462	10
Brunswick	Jan-21	60	226	462	236
Dahlia House	Sep-21	55	188	272	84
Gorton	Apr-21	106	0	817	817
GM Transformation Funding/ Health			-233	-233	0
Total		**329**	**999**	**2,127**	**1,128**

Summary

6.15. The MLCO 2021/22 draft financial plan (ASC component) is now in a balanced position, albeit recognising an element of the assumptions are non-recurrent and specific to 2021/22. At this stage, whilst the City Council has significant financial challenges, it has been possible, for 2021/22, to avoid the need to identify more difficult service reductions across preventative areas.

6.16. Based on the revisions detailed above the 2020/21 ASC and Population Health budget of £221.003m is increased to £225.917m and analysed by the service areas in table 2 below. A subjective analysis is provided at **Appendix 1.**

Table 2: 2021/22 proposed changes and revised budget

Service Area	2020/21 Net Budget	Approved net savings	Investment and other changes	2021/22 Net Budget
	£'000	£'000	£'000	£'000
Localities	8,494		812	**9,306**
Reablement	5,361	1,421		**6,782**
Learning Disability	70,216	-5,006	1,090	**66,300**
Mental Health	27,111			**27,111**
Other Care	47,544	-2,512	9,182	**54,214**
Public Health	39,717		1,832	**41,549**
Commissioning	11,442		-5,688	**5,755**
Specialist and support services	3,686	-5,500	2,961	**1,148**
Demography, Inflation and National Living Wage	2,576		6,321	**8,897**
Pooled Budget	**216,147**	**-11,597**	**16,511**	**221,061**
Asylum	57	0	0	**57**
Voluntary & Community Sector (Adults)	2,097	0	0	**2,097**
Safeguarding	2,702	0	0	**2,702**
Other ASC	**4,856**	**0**	**0**	**4,856**
Total	**221,003**	**-11,597**	**16,511**	**225,917**

6.17. The City Council, MFT and MHCC will be working with the MLCO Executive to ensure governance arrangements are further developed to provide the key levers for change to realise the ambitions for advancing integration and realising the benefits of a genuinely pooled budget. This will include, for example, effective risk share arrangements between Manchester system partners.

7.0. Capital Strategy / Programme

7.1. The approved ASC capital programme is detailed in the Council’s Capital Strategy report, which is included in the suite of budget reports submitted to the Executive and Council. The Capital Strategy also includes details on potential future capital investment which has been identified, and which is expected to be brought forward in the medium term.

7.2. The revenue implications of any approved capital projects have been incorporated into the revenue budget. Before any of the potential investment priorities are approved, the revenue implications of the investment will be reviewed and agreed as part of the approval process.

8.0. MLCO Operational Plan 2021

8.1. The Operating Plan for 2021/22 is currently in development and MLCO is aiming to publish a final draft of the plan by mid/end-April 2021. This is dependent on the publication of national NHS planning guidance, the timetable for which has not yet been made available. It will be supplemented by a Financial Plan for 2021/22.

8.2. The scope of the Plan will be all the functions currently held by the MLCO, as well as the functions agreed to be in the LCO by the Manchester Partnership Board from April 2021.

8.3. Further detail is provided in **Appendix 2** which provides an update on the process to develop the MLCO Operating Plan for 2021/22.

8.4. The Operating Plan will outline the MLCO work programmes aimed at maintaining or improving outcomes through improved service delivery arrangements and addressing the budget savings requirements. They include:

(i) the ASC transformation programme; aiming to improve pathways and focus support for independence for Manchester people, now renamed as **Better Outcomes Better Lives**;

(ii) Advancing integration across the system through the MLCO;

(iii) Working with partners to provide system financial support to maintain community-based care, especially where there is an interim requirement until improved pathways are embedded;

(iv) Commissioning programmes and realising the expected benefits from developing an integrated commissioning, contracting and placement function in the MLCO; and

(v) Working in a focused way over winter to mitigate the impact of Covid-19 on 2021/22.

8.5. Whilst the MLCO Operational Plan remains in development sections 9-11 below provide further detail in relation to Better Outcomes Better Lives, Discharge Arrangements and New Care Models that will be contained in the finance chapter.

8.6. The MLCO Operational Plan will contain the ASC workforce implications, Equality, Diversity and Inclusion considerations, and Risk Management arrangements.

9.0. Improving Pathways and Focusing Support for Independence (Better Outcomes Better Lives)

9.1. Better Outcomes Better Lives is a key programme of work to support people to live as independently as possible and maintain control over their lives. The approach is one of service improvement, ensuring our services are supporting people with strengths-based assessments and better ways of delivering care and support services. Of key importance is prevention and intervening early, as this is the best way to ensure people get the services that are responsive to their needs and prevent, reduce or delay the need for longer term care. We will always meet the long term care needs of individuals where required.

9.2. A significant piece of work on improving pathways and focusing support for independence has been undertaken, starting with how to do this in adult social care. This involves:

(i) Working with individuals using strengths based assessments, empowering citizens to take control of their lives and be able to manage their own conditions where they have the ability to do so. This may be using their own strengths, family and friends or support within the community. This will involve changing expectations across the system, focusing more on independence and working with people through individual assessments

(ii) Acting earlier to prevent problems occurring or escalating;

(iii) Ensuring additional interventions are not being caused by the service failing to get something right first time or unintentionally reinforcing dependency;

(iv) It does not involve: tightening eligibility criteria, restricting access, or stopping non-statutory services.

9.3. The programme has been supported by a commissioned diagnostic piece of work from IMPOWER, a specialist ASC support agency with experience and proven track record with a number of other local authorities to undertake diagnostic work to support the development of evidence-based, sustainable opportunities. Some of the key activities that have been included within this diagnostic work include:

(i) Comprehensive review of available performance and spend data, benchmarked to other local authorities
(ii) Staff survey with over 220 responses;
(ii) Case reviews;
(iii) Observations - contact centre, INTs and hospital site; and
(iv) A trial behaviour change intervention to apply behavioural science techniques to social care and embed these in frontline practice.

9.4. The insights from the programme included:

(i) There is an opportunity to improve pathways and focusing support for independence in order to prevent, reduce or delay long term care, to some degree, in almost half of the cases reviewed. In some cases this maybe a minor change whereas in others a more substantial opportunity. The challenge is how to release the opportunity consistently through the complexity of first contact / assessment / review and expectations or legal challenge of the population being supported;

(ii) There are opportunities emerging to build on the foundations developed in the last 2 years across ASC, to embed strength based practice consistently across all teams; awareness and use of community assets; broadening the Technology Enabled Care (TEC) offer, whilst building confidence in practitioners and people to use TEC; building on the positive impact of reablement by increasing access; implementing the positive changes in the carers offer and changing the front door to be a more co-ordinated preventative offer to prevent flow to community teams.

(iii) These opportunities will only be maximised if underpinned by a responsive approach to commissioning and effective performance management at all levels.

9.5. With a properly resourced change infrastructure and clearly set out conditions of success, this suggests a significant opportunity for savings **over three years.** The phasing of savings is currently being finalised. **The target for 2021/22 is £6m and this will increase to £18m by 2023/24 (net of investments).** Some of the key conditions of success include early and full engagement of staff; investment in prevention, clear and agile performance management and governance; securing early impact from change to build momentum and capacity and capability to deliver the change. In addition, significant system support is integral to successful delivery. A Better Outcomes Better Lives delivery partner will help support the programme and provide substantial capacity and depth of experience from similar work. This is a substantial investment, over 2020/21 (£0.3m) and 2021/22 (£0.6m) with funding set aside within the 2020/21 forecast budget position and in relation to 2021/22, a proposal to use the grant funding detailed above.

9.6. The key changes in metrics arising from the proposed 'Better Outcomes, Better Lives' programme, based on commencing implementation in 2020 quarter 3, against the 'Do-Nothing' scenario projected to 2021/22 are detailed in the table below.

Metric	**2019/20 Baseline**	**Do-nothing by 2021/22**	**Potential Impact by 2021/22**
Nursing Care clients	672	688	-11
Residential Care clients	1,352	1,384	-40
Supported Accommodation clients	743	770	-28
Homecare clients	2,671	2,890	-57
Reablement clients	1,869	n/a	+518

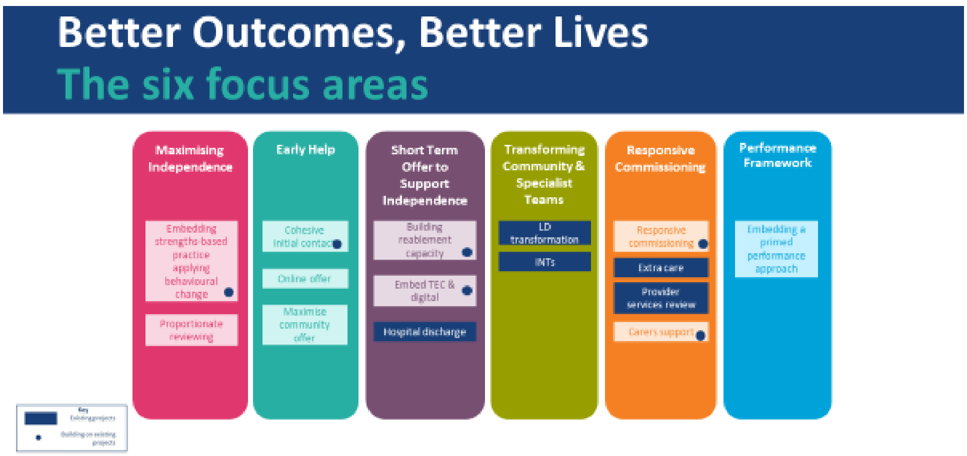
9.7. Further work is under way to identify what the improvements in outcomes for individuals will be associated with these metrics, such as improved levels of wellbeing, self-care and greater independence.

9.8. This programme has now been developed into an implementation plan supported by IMPOWER which addresses and secures the conditions of success. A key element of this is integration with existing MLCO transformation projects set out below into one refreshed programme of change for the next three years.

9.9. The option presented for Better Outcomes Better Lives aims to deliver better outcomes, experience of services for the people of Manchester and better use of resources. This will require significant commitment from all health and social care partners, in order to provide the capacity and capability required to deliver this scale of complex change at speed. It needs to be recognised as the substantive piece of work which will underpin the system's approach to meeting care and support needs across Adult Social Care with many of the principles transferrable to health services.

9.10. The Better Outcomes Better Lives programme is key programme in the MLCO established transformation portfolio. The Portfolio is overseen by the MLCO Recovery and Portfolio Board and is a key responsibility of the Director of Strategy. It comprises a range of transformational and enabling programmes from Neighbourhood development to the work programme of the Care Homes Board, from Workforce to Estates.

9.11. The programme is comprised of 6 work streams as illustrated below



9.12. Maximising Independence

This is a critical piece of work and builds from work already delivered by the ASC improvement programme which implemented strengths based assessment and support planning into adult social care. This work will focus on further embedding strengths-based practice, applying behavioural change as well proportionate reviewing.

9.13. The work will target specific teams where there are the biggest opportunities to influence demand and increase independence/ensure the most appropriate packages of support in place – specifically the INTs, LD teams and reablement. Four months of intensive support will take place with teams building on the trial intervention which took place with the LD south team. This work has already commenced or will commence in 2020, as part of a sequenced plan across teams

9.14. Early Help

This will build on work already underway to strengthen the front door to adult social care as part of the wider health and social care system. It will include strengthening 'initial contact' by ensuring that staff within the contact centre have the right skills and knowledge available to effectively triage contacts, and signpost to alternative support and equipment that could meet their needs.

9.15. It will also involve strengthening the information and advice offer online – increasing the number of people addressing their needs independently without intervention from adult social care. Further work, building on the covid-19 community response, will take place to expand the voluntary and community sector offer and engagement in prevention and early intervention. <u>This work will all be prioritised in year 2 of the programme.</u>

9.16 Short Term Offer to Support Independence

This work will build on the effectiveness of our reablement offer, building an approach that maximises the independence of citizens being discharged from hospital through 'discharge to assess' (D2A) aligned to 'home first' principles. It will look to increase capacity in the reablement service – including ensure that those who are currently not receiving reablement (but would benefit from it) are able to do so.

9.17. Alongside the reablement offer, further work to build awareness and confidence of frontline staff in using technology enabled care (TEC) and digital options as a 'default' will continue as well as a review of the TEC offer to ensure it reflects the support people need.

9.18. Reablement and TEC are priorities in delivering the desired financial trajectory and <u>therefore will be early priorities for delivery.</u>

9.19. Transforming Community and Specialist Teams

This work will continue the programmes already underway to integrate and transform community teams across health and social care both in LD services but also maximising the opportunities created by the Integrated Neighbourhood Teams. This will align to the work to embed strengths-based practice and ensure that a joined-up approach to assessment and 'care management' is in place across professional groups thus reducing demand in all parts of the system. <u>This work is already a priority, is underway</u> and being monitored as part of the wider MLCO transformation portfolio referred to above.

9.20. Responsive Commissioning

Again, building on work already in train this work will seek to ensure that a commissioning plan and approach are in place that supports the change priorities. This will be integral in developing care market supply of the right quality and price, and support the changing demand trajectories set out within the IMPOWER modelling and the work going forward.

9.21. Dedicated commissioning capacity working alongside social work teams will be key during the work described above (‘maximising independence’) which will align with work to review the contracts register and procurement plans going forward as well as work inherited from the improvement programme around the efficiency of the interactions between the case management system (LiquidLogic) and payments system (contrOCC) which will need to continue to be prioritised. This work will also include further strengthening the commissioned offer to carers building on the positive work delivered over the last 12 months.

9.22. <u>This work is already a priority and will</u> align to work already underway to review high cost packages of care as well as work to create an integrated commissioning approach within the MLCO across health and adult social care.

9.23. Strengthened Performance Framework

The programme will be supported by a strengthened performance framework which will need to be designed as part of the programme plan, in order to understand progress, delivery and the impact (outcomes and financial) of the objectives described.

9.24. This will need to align to the existing arrangements within the MLCO and these will be clarified as part of the transformation programme. The delivery of such an ambitious, wide ranging and comprehensive programme will not come without significant challenges.

9.25. The service is still responding to the covid-19 pandemic and as such will need to ensure that this transformation work is prioritised alongside continued, immediate and changing demand into the service.

9.26. The right capacity to support the programme will therefore be critical; both programme management support as well as ‘change’ resources to work alongside teams and individual professionals. They will embed the new ways of working, ensure continued focus on the desired outcomes and ongoing management as well as understanding of performance and delivery to planned financial trajectories. These resources are being confirmed – and include consolidating existing capacity and capability within MLCO, with partners and investing in additional capacity as required.

9.27. It will also be critical that partners and senior stakeholders are collectively and continually supporting the delivery of the programme as a key priority for the city's health and social care system. There will not be capacity for MLCO and the service to take on additional and competing priorities. The opportunities are however significant, and will be realised if the right attention, focus and priority is given to work going forward.

10.0. Discharge Arrangements

10.1. New national hospital discharge guidance has been in place since March 2020 and the current updated guidance will run to the end of the financial year. Substantial costs in 2020/21 are being met from NHS Covid-19 funding. Following completion of care assessments for the clients discharged from hospitals, the City Council will again become responsible for funding care arrangements. The current financial planning assumptions provide for £9.3m additional cost into 2021/22 as the full year effect from discharges from hospitals since March 2020 and modelling of forecast discharge numbers to the end of March 2021. MLCO is working with partners on discharge arrangements, with an effective system based control room and placement function to mitigate the risk of additional placements over the rest of 2020/21. Winter planning arrangements are integral within this. This is very challenging in the context of 2nd wave predictions. Government funding through the extension of the Infection Control Fund also allows further financial support to be passed to providers for manage risks around infection, prevention and control. Through the following key actions the MLCO are aiming to be able to minimise the £9m requirement which would allow any excess funding to be released, in effect a saving.

(i) The 'Control Room' will work with the acute hospitals to identify people as soon as they no longer need to be an acute hospital bed and will facilitate next steps in care. The Discharge to Assess service will support people to move out of hospital and will assess ongoing needs and appropriate next steps in a non-acute setting – preferably in a person's own home, but otherwise in a non-acute Discharge to Assess bed;

(ii) Strength based assessments will facilitate maximising each person's independence; and

(iii) Access to reablement, where appropriate, will improve each person's baseline and maximise independence.

11.0. New Care Models

11.1. The 2020/21 budget included non-recurrent investment from GMTF and from MCCG on the care models detailed in the table below. The programme of time limited investment into new care models from GMTF is now winding down. In order to sustain current levels of activity, the following cost requires funding in 2021/22 and is currently factored into MHCC Health financial planning assumptions for 2021/22 on a non-recurrent basis. This is key support in ensuring arrangements continue to be sustained. Longer term financial planning is however dependent on the Government also setting out multi-year financial settlements. These care models are now an integrated part of the Health and Social care system and savings are substantially incorporated into baseline budgets, albeit work is on-going on the evaluation to ensure scale and capacity continue to be reviewed in a dynamic changing operating environment and the additional challenges under the Covid-19 pandemic.

Care Model	Funding	2021/22 £'000
Crisis	Health	182
D2A	GMTF	1,584
Extra care expansion programme	GMTF	233
INT – Leads and social work team managers	GMTF	1,044
Total		**3,043**

11.2. The recommendations included within Better Outcomes Better Lives includes further investment in areas such as reablement and technology enabled care and the savings are incorporated into this programme.

12.0. Consultation / Co-production

12.1. A public consultation is currently underway asking residents for their views on the Council's 2021/22 budget savings options. The consultation opened on 20 January 2021 and runs for a period of four weeks, closing on 21 February 2021. In addition to promotion via the Council's website, social media channels and e-bulletins, a consultation toolkit has been shared with community partners, voluntary and community sector partners, Councillors and key stakeholders to ensure that the consultation is promoted widely within our communities.

12.2. The consultation can be found at www.manchester.gov.uk/budget. The results will be shared at the Budget Resource & Governance Scrutiny Committee on 1 March 2021.

12.3. Co-production is integral to working with Manchester people and is fundamental to the Better Outcomes, Better Lives programme. The programme will build on approaches already developing within learning disability services including:

(i) Embedding co-design into the design and transformation process. As part of this we want to provide a meaningful voice for people with learning disabilities to influence strategic decision making and also to get involved in the design of future service delivery. The first stage of this approach is to co-design a refreshed approach to strategic engagement for the city.

(ii) Understanding what has worked well previously and what people would like to see as part of a refreshed approach. This work is taking place in collaboration with three of our voluntary sector partners; Breakthrough uk, Pathways Associates and People First. We are also keen to widen the scope of engagement with strategic decision making to provide the widest possible representation across the city and also to include the views of parents and carers.

(iii) Ensuring a co-production approach across the programme and at workstream level. Once the strategic engagement approach has been established, we will be working to ensure that people with lived experience are included and consulted across the programme. At this stage we cannot be prescriptive about what form this will take given that we intend to keep co- production principles at the heart of the approach that will be designed in collaboration with people with lived experience, their families and carers and members of the voluntary sector who support them.

13.0. Equalities Considerations

13.1. An Equality Impact Assessment (EIA) is being produced for the Better Outcomes, Better Lives Programme which will consider the impact of the programme on all Manchester communities. As there are now further savings proposals for the ASC budget additional Equality Relevance Assessments and/or EIAs have not been produced.

14.0. Our Corporate Plan

14.1. Our Corporate Plan describes the Council's contribution over the next 2-3 years to delivering the Our Manchester Strategy 2015-2025. These priorities have been refreshed for 2021/22 to align with the reset of the Our Manchester Strategy and to further strengthen the council and city-wide focus on the importance of Equality, Diversity and Inclusion.

14.2. Our Corporate Plan themes and revised priorities are set out in the table below:

Theme	Priority
1. 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*	Support the citywide Climate Change Framework 2020-25 including the Council's roles in reducing citywide CO_2 emissions and improving air quality
	Deliver activities to reduce the Council's own direct CO_2 emissions by at least 50% by 2025, as set out in the Manchester Climate Change Action Plan 2020-25
2. Growth that benefits everyone *Boost the city's productivity and create a more inclusive economy that all residents participate in and benefit*	Deliver the Economic Recovery Plan, supporting the delivery of key growth schemes and the protection and creation of good-quality jobs for residents, enhancing skills, and effective pathways into those jobs. Includes support to Manchester's businesses and residents affected by

from, and contributing to reductions in family poverty, as set out in the Our Manchester Industrial Strategy	challenges to the international, national and local economy.
	Facilitate economic growth and recovery in different sectors of the economy, which supports the creation of a more inclusive economy.
	Support residents in order to mitigate the impact of poverty and take actions to reduce the number of people experiencing poverty, in particular given the effects of COVID-19. Including young people, older people, BAME groups and people with disabilities
3. 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*	All children to have access to a high-quality education, which is provided in an inclusive way. Children's school attendance to be achieved and sustained at or better than historic levels.
	Support more Manchester children to have the best possible start in life and be ready for school and adulthood. This includes ensuring that the voice of children and young people is heard, and that they have access to youth, play, leisure, and cultural opportunities.
	Reduce number of children needing a statutory service.
4. 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*	Take actions to improve population health outcomes and tackle health inequalities across the city.
	Support the next phase of health and social care integration in the city, including plans to supercharge Manchester Local Care Organisation.
	Enable delivery through the MLCO of the Adult Social Care transformation programme – 'Better Outcomes, Better Lives' – focused on taking a strengths-based approach, supporting independence, building on the ASC improvement programme and embedding this into the MLCO Operating Model.
	Reduce the number of people becoming homeless and enable better housing and better outcomes for those who are homeless
5. Housing *Ensure delivery of the right mix of good-quality housing so that Mancunians have a good choice of quality homes*	Support delivery of significant new housing in the city, including through an effective recovery from COVID-19.
	Ensure inclusive access to housing by the provision of enough safe, secure and affordable homes for those on low and average incomes. This includes strategically joining up provision, and the improved service to residents enabled by direct control of Council owned housing in the north of the city.

6. Neighbourhoods *Work with our city's communities to create and maintain clean and vibrant neighbourhoods that Mancunians can be proud of*	Enable all our diverse neighbourhoods to be clean, safe and vibrant.
	Embed neighbourhood working across the whole Council and our partners, and deliver services closer to residents.
7. 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, whilst increasing walking and cycling.
	Facilitate the development of the city's digital infrastructure, to enable delivery of transformed public services and a more economically inclusive and resilient city.
8. Equality *Deliver on our equality, diversity, and inclusion commitments to support Manchester's vision to be a progressive and equitable city.*	Work together with Manchester's citizens and our partners to understand our diverse communities, improve life chances, and celebrate diversity.
	As an employer, ensure a fair and inclusive working environment which recognises, values and responds to the dynamics and opportunities of a diverse workforce.
9. Well-managed council *Support our people to be the best and make the most of our resources*	Development of the future shape of the Council, along with budget reductions and savings.
	Effectively manage our resources, via budget management and planning, support to managers and performance management.
	Carry out the work required to transform our Corporate Core.

15.0. Conclusions

15.1. Financial planning arrangements for the health and social care pooled budget are progressing well. The NHS has not published the financial regime for 2021/22 yet.

15.2. The report presents the updated position on the work in a variety of programmes which are currently being brought together into one overarching programme of change under MLCO programme management and governance arrangements.

15.3. At this stage no specific consultation requirements have been identified. The approach to care management will continue to put meeting clients needs first and foremost but will look to change the approach to doing so, primarily through prevention, building upon the approach to strength based practice and enabling citizens to take more control of their lives, maximising independence and achieving better outcomes and through strengthening commissioning and contracting arrangements.

15.4. The report details 2021/22 budget proposals that represent a total additional investment of £16.511m to the pool (£19.916m para 6.2 and £2.690m social care grant less transfer to Homelessness £6.095m) and £11.597m savings of which £6.097m are recurrent to be delivered in 2021/22 through Better Outcomes Better Lives and £5.500m is delivered through system support. The level of savings from within the Better Outcomes Better Lives programme will increase in future years and substantively replace the one-off grant and support funding provided. The proposed deployment of the balance of social care grant within the pool (£2.690m) is also outlined.

15.5. Further MLCO programmes are also progressing aimed at contributing to financial sustainability including integrated commissioning; fully realising the benefits from integration; and discharge planning to mitigate the financial impact of Covid-19 on 2021/22. The MLCO arrangements for developing the Operational Plan for 2021/22 are underway and the budget proposals will be incorporated accordingly.

15.6. The financial challenges facing the City Council are severe however the more difficult service reductions across preventative areas, where there is some discretion, have been avoided for 2021/22.

15.7. As set out above this report sets out a one year budget for 2021/22, however the longer term implications have been considered and these are considered in the Council’s medium term financial planning.

16.0. Recommendations

16.1. As presented at the front of the report.

Appendix 1 – Net Budget Subjective Analysis 2020/21 and 2021/22

Subjective Heading	2020/21 Budget £'000	2021/22 Indicative Budget £'000
Expenditure:		
Employees	60,533	63,519
Running Expenses	214,687	217,474
Capital Financing Costs	171	171
Contribution to reserves	0	0
Total Subjective Expenditure	**275,391**	**281,164**
Less:		
Other Internal sales	0	0
Gross Expenditure	**275,391**	**281,164**
Income:		
Government Grants	-5,095	-5,095
Contributions from Reserves	-4,152	-4,152
Other Grants Reimbursements and Contributions	-26,172	-27,030
Customer and Client Receipts	-17,738	-17,738
Other Income	-1,231	-1,231
Total Net Budget	**221,003**	**225,917**

Appendix 2

Manchester Local Care Organisation (MLCO) Operating Plan 2021/22

1.1. The purpose of this appendix is to outline the approach that the MLCO is following in order to develop an Operating Plan for 2021/22. It will be aligned to the Council Business Plan as there are clear interdependencies between the two plans.

1.2. The MLCO Operating Plan sets out the context for the MLCO and our priorities for the next 12 months and how we will work with all partners across public services, acute and primary care to contribute to the delivery of the vision for the city. It outlines our priorities and how the delivery of those priorities will be enabled through our plan for our staff, our IM&T and our estate.

2.0. Background

2.1. The MLCO Operating Plan 2021/22 covers community adult and children's health services and Adult Social Care services. The Council Business Plan will make reference to Adult Social Care services, clarifying that detail on those services will be documented in the MLCO Operating Plan; the rationale behind presenting this appendix to Health Scrutiny.

2.2. The MLCO Operating Plan will also outline how the MLCO will work with wider partners in the City during this financial year through its Transition Programme to 'Supercharge' the MLCO as per the approach agreed through the Manchester Partnership Board in January 2021.

2.3. The MLCO Operating Plan will not cover detail regarding services for those who are homeless.

2.4. The MLCO Operating Plan will be accompanied by a financial plan and strategy that has been developed in partnership with colleagues in MHCC, MCC and MFT. The ASC detail of this has been presented to Health Scrutiny Committee.

3.0. The MLCO Operating Plan 2021-22

3.1. The Operating Plan for 2021/22 is currently in development and MLCO is aiming to publish a final draft of the plan by mid/end-April 2021, noting that timescales are dependent on the publication of national NHS planning guidance.

3.2. The context in which the MLCO operates drives the timetable for the development of our Operating Plan. As an organisation tasked with delivering integrated health and social care services for the City of Manchester, we need to balance the timetable for the City Council planning and financial requirements, alongside those of the NHS.

3.3. The City Council is working to a timetable of February 2021 to approve its budget for 2021/22 and therefore outline its priorities through its Business Plan. However, the national planning timetable for the NHS (set by NHS England/NHS Improvement) has only to date been outlined in very high-level terms, with more detailed guidance unlikely to be published before the end of 2020/21. This is a departure from the usual national approach and is driven by the NHS focus on the response to the COVID pandemic.

3.4. As such at this stage, MLCO is presenting the context (both national and local) and outline priorities upon which its Operating Plan and content will be built to Health scrutiny with a commitment to bring the full draft plan to a future meeting for consideration.

3.5. The MLCO has sought previously to build its Operating Plan from its service plans, especially those of our Integrated Neighbourhood Teams (INTs). Last year we ran a range of planning sessions with all our service leads to establish what they had achieved in the previous 12 months, what they wanted to achieve in the next 12 months and support they needed to be able to do that. It was these service plans that were intended to inform the overall Operating Plan for the MLCO, but prior to the narrative for 2020/21 being finalised, all planning activity in the NHS was suspended and the MLCO moved into an incident-led response to service delivery. It should be noted that a financial plan and strategy was agreed and progressed across partners during 2020/21.

3.6. Due to the continued pressures of responding to the pandemic across health and care services, it will not be possible to undertake such a detailed and consultative approach.

3.7. As such, MLCO Executive will outline a draft Operating Plan, built from our understanding of what our services have delivered over the last 12 months and what we understand the key national and Manchester system context to be for the next 12 months. As we move out of the incident response, we will work with our teams to clarify this context and enable our service teams to document how they will deliver during 2021/22 to meet the national and local requirements, as well as outline how they intend to do that using their local knowledge and understanding of how they will deliver these priorities based on the needs of our residents.

3.8. The MLCO Operating Plan 2021/22, will be comprised of:

- An overarching organisation-wide Operating Plan for 2021/22
- 13 INT service plans
- Service plans for the specialist community (health and social care) services provided to the residents of Manchester that would interact with, but may be delivered on a wider scale than in our neighbourhoods, such as specialist podiatry services or our citywide equipment services.
- A financial strategy and budget plan for 2021/22; the MCC element of this has been outlined to Health Scrutiny.

3.9. The context that the MLCO Operating Plan 2021-22 will be developed based on includes:

- The Our Manchester strategy
  The Operating Plan will demonstrate MLCO's continued commitment and contribution to the vision and objectives of the Our Manchester strategy through the design and delivery of our operating models; through the Plan that we bring forward, we will show how we have done this to date and how we will continue to do this through the next phase of development of the MLCO

- The financial strategy and budget plan for the MLCO
- The emerging context in Manchester, such as:
  - the development of the Manchester Partnership Board,
  - Development of the future shape of the Council
  - the future of MHCC
- The national planning framework for the NHS. Whilst more detail is awaited on this, high level messages have been shared. These include a requirement for the NHS in 2021/22 to focus on:

  - The recovery of non-Covid services
  - Strengthen our plans for our People
  - Plans to address health inequalities
  - Plans to accelerate mental health service expansion
  - Prioritise investment in community and primary care services
  - Implement plans to integrate care (the recent consultation document to establish ICS systems)

3.10. The Operating Plan will be built around our existing strategic framework:

3.11. It will describe what we will do to continue to deliver against our priorities as an organisation. The six priorities are:

- A **population health driven approach** to service planning and delivery; supporting prevention programmes to improve the health of the people of Manchester.
- **Consolidating and strengthening our neighbourhood approach**; supporting our 12 Integrated Neighbourhood Teams (INTs) to make an impact on their communities and continuing to integrate the operations of our community health and social care teams.
- Continue to **design and deliver safe, effective and efficient services** to people in our communities.
- **Mobilising primary care leadership at the heart of the MLCO**; formalising the governance between primary care and MLCO to ensure joint working with the new Primary Care Networks.
- Playing a **lead role in system resilience**; helping people get the right care in the right place with a community first ethos.
- Deliver the **agreed phased approach to the increasing scope of the MLCO** as an integrated health and care organisation; delivering public service reform in the place.

3.12. The MLCO Executive has started to consider some of the key areas it will focus on during 2021/22 to deliver the local and national context, but these are not finalised. Some key areas that the Operating Plan for the MLCO will be clear on:

- The approach we will take with partners to establish the MLCO as the delivery (provider) vehicle in the City to deliver a population health-based approach to service delivery, as well as address the increasing health inequalities gap in the City.
- Our continued focus on the integration of health and social care services for adults and children in the City, working in partnership with our colleagues in Primary Care through our operating model
- A clear mobilisation plan for the ASC transformation programme (Better Outcomes Better Lives); a key deliverable of our budget plan, focused on developing a strength-based approach to enable our residents to become increasing independent and able to self-care.
- Through the Team Around the Neighbourhood, continue to ensure public services are working together to understand the needs of our residents, as well as targeting service responses to meet those needs; the development of the Neighbourhood model for the City.
- Ensure community services continue to support the flow of people through the Manchester Control Room through clear and agreed admission avoidance and discharge pathways.
- Continued work with the Care Market to ensure it is sustainable for the future.
- How we will work with our staff and teams to support them as we move out of an incident response phase to the pandemic and enable them to move to a ‘new normal’.

- How the MLCO will need to operate differently in the context of the MPB, with revised governance arrangements in development that outline new delegations and decision making; which is likely to mean reduced reporting into organisations, as MLCO will have direct and robust accountability arrangements to the MPB
- How the MLCO will work with colleagues in MCC to develop a more integrated and aligned response to the delivery of services for children.

3.13. The timescales for the development and publication of our Operating Plan are currently proposed to be (to note, all timings are indicative and maybe subject to change):

- Outline Operating Plan 2021/22 narrative drafted by end January 2021
- INT service plans and wider service plans (first drafts) by end February 2021
- Financial strategy and budget plan by end February 2021; noting that the MCC part of this will be approved through the February budget setting process.
- Work to develop and refine Operating Plan and supporting service plans during March; aiming to publish the final Operating Plan by end April 2021.

<u>Alignment to the MCC Corporate Plan</u>.

3.14. The MLCO will enable and/or support the delivery of the City Council Corporate plan in terms of:

Theme	Priority
2. Growth that benefits everyone *Boost the city's productivity and create a more inclusive economy that all residents participate in and benefit from, and contributing to reductions in family poverty, as set out in the Our Manchester Industrial Strategy*	● Support residents in order to mitigate the impact of poverty and take actions to reduce the number of people experiencing poverty, in particular given the effects of COVID-19. Including young people, older people, BAME groups and people with disabilities
3. 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*	● Support more Manchester children to have the best possible start in life and be ready for school and adulthood. This includes ensuring that the voice of children and young people is heard, and that they have access to youth, play, leisure, and cultural opportunities.

4. 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*	● Take actions to improve population health outcomes and tackle health inequalities across the city.
	● Support the next phase of health and social care integration in the city, including plans to supercharge Manchester Local Care Organisation.
	● Enable delivery through the MLCO of the Adult Social Care transformation programme – 'Better Outcomes, Better Lives' – focused on taking a strengths-based approach, supporting independence, building on the ASC improvement programme and embedding this into the MLCO Operating Model.
6. Neighbourhoods *Work with our city's communities to create and maintain clean and vibrant neighbourhoods that Mancunians can be proud of*	● Enable all our diverse neighbourhoods to be clean, safe and vibrant.
	● Embed neighbourhood working across the whole Council and our partners, and deliver services closer to residents.
7. Connections *Connect Manchester people and places through good-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 a more economically inclusive and resilient city.
8. Equality *Deliver on our equality, diversity and inclusion commitments to support Manchester's vision to be a progressive and equitable city.*	● Work together with Manchester's citizens and our partners to understand our diverse communities, improve life chances, and celebrate diversity.
9. Well-managed council *Support our people to be the best and make the most of our resources*	● Development of the future shape of the Council, along with budget reductions and savings.
	● Effectively manage our resources, via budget management and planning, support to managers and performance management.

3.15. Work is underway between Council Corporate team and MLCO to determine clear delivery plans to support these priorities in the wider context of the MLCO as previously outlined.

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Manchester City Council
Report for Resolution

Report to: Executive – 17 February 2021

Subject: Neighbourhoods Directorate Budget Proposals 2021/22

Report of: Strategic Director (Neighbourhoods)

Summary

As a result of the COVID-19 Pandemic there has been additional demand for services and reductions to Council's income (as set out in the global monitoring report to Executive 17 Feb 2021). This left the Council facing a significant budget gap for 2021/22 onwards. Funding announcements in the government's spending review on 25 November and provisional local government finance settlement on 17 December mean the Council will not be facing the worst-case scenario for 2021/22, (which was a shortfall of around £100m). The government settlement assumes eligible Councils will increase Council Tax by 3%, for the Adult Social Care precept. After accounting for additional Adult Social care funding through both additional precepts and grant the revised savings proposals from all Directorates total £41m.

This report provides an updated Neighbourhoods Service 2021/21 budget and sets out the Neighbourhoods savings proposals that have been considered by the Communities and Equalities Scrutiny Committee, Neighbourhood and Environmental Scrutiny Committee and Resources and Governance Scrutiny Committee, this reflects any feedback from both the November and January round of Scrutiny committees.

Recommendations

Both Committees and the Executive are each invited to review and comment on the directorate budget report.

The Executive is recommended to approve the budget proposals.

Wards Affected: All

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	Providing the leadership and focus for the sustainable growth and transformation of the City's neighbourhoods and highways
A highly skilled city: world class and home-grown talent sustaining the city's economic success	Ensuring residents are connected to education and employment opportunities across the City.

A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	Creating places where residents actively demonstrate the principles of Our Manchester through participation and take responsibility for themselves and their community whilst encouraging others to do the same, supported by strong and active community groups.
A liveable and low carbon city: a destination of choice to live, visit, work	Creating places where people want to live with good quality housing of different tenures and effective use of the highways network; clean, green, safe, healthy and inclusive neighbourhoods; a good social, economic, cultural offer and environmental infrastructure.
A connected city: world class infrastructure and connectivity to drive growth	Ensuring residents, neighbourhoods, businesses and goods connect to local, national and international markets. Through working with partners both internally and externally maximise the impact of the provision of new and enhanced physical and digital infrastructure.

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

- Equal Opportunities
- Risk Management
- Legal Considerations

Financial Consequences Revenue

The proposals set out in this report will be considered as part of the City Council preparation of the 2021/22 budget which will be submitted to the Executive on 17 February 2021.

Financial Consequences – Capital

There is already an approved capital investment programme for the Directorate, and some capital investment is required to assist in delivering some of the currently identified proposals included within this report.

Contact Officers:

Name: Fiona Worrall
Position: Strategic Director Neighbourhoods
Telephone: 0161 234 3926
Email: fiona.worrall@manchester.gov.uk

Name: Paul Hindle
Position: Head of Finance

Telephone: 0161 234 3025
E-mail: paul.hindle@manchester.gov.uk

Background documents (available for public inspection):

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

Neighbourhoods Directorate Budget 2020/21 - Executive 12 February 2020
Neighbourhoods Directorate Budget Options 2021/22 – Executive 11 November 2020
Neighbourhoods Directorate Budget Proposals 2021/22 – Executive 20 January 2021

1.0 Introduction

1.1 This report should be read in conjunction with the covering City Council budget report and sets out the budget reductions proposed to support the work required to deliver a balanced budget in 2021/22. As a result of additional demand for services and impact on the Council's income as set in previous meetings to both Executive and scrutiny committees the Council has had to identify budget reductions of c£50m for 2021/22 onwards.

1.2 Following on from previous Scrutiny Committees, all Directorates have continued to develop and work through the budget proposals, and this work has taken into consideration the feedback from the two previous scrutiny committee meetings Original Directorate savings proposals totalled c.£50m, but after accounting for additional Adult Social care funding through both additional precepts and grants the revised savings proposals from all Directorates total around c.£41m. Wherever possible consideration has been given to protecting front line services in order to protect the capacity to support the recovery planning. The Neighbourhoods Directorate has identified savings of **£7.376m** which will require a reduction of 2fte. Due to lead in time around investments etc, the £7.376m would be phased over the period 2021/22-2024/25, with an initial £6.683m being delivered in 2021/22.

1.3 All savings proposals have been considered by the relevant Scrutiny Committee. Further details on the savings and other changes are set out in section 3, with a summary table included in table 3 below.

1.4 The Neighbourhoods Directorate has a revenue budget of circa £95.5m of which £47m relates to waste collection, street cleansing and waste disposal. Outside of these areas the majority of the budget relates to staffing.

1.5 Although it is anticipated that the overall c£41m budget savings will be sufficient to ensure a balanced budget in 2021/22, it is anticipated that there will be a requirement for further savings in future years. As part of developing the current budget reductions, attempts have been made to minimise the impact on residents and communities wherever possible, but this will become even more difficult if further savings are required in future years.

2.0 About the Neighbourhoods Directorate Background and Context

2.1 The Neighbourhood Directorate plays a pivotal role in delivering the Council priorities, working with Manchester's communities to create and maintain clean, safe and vibrant neighbourhoods that residents can be proud of and where businesses and investors want to invest, bringing employment opportunities for our residents.

2.2 Teams work collaboratively with partners and local members within our neighbourhoods to enable people living in our communities to be healthy, well and safe and reduce demand by integrating neighbourhood teams that are connected to other services and assets locally.

2.3 Libraries, art galleries, leisure centres, parks, play areas, events and youth services as well as our cultural activity provide an offer to the city that enhances the experience of people living and working in the city; as well as supporting our children and young people, to be happy, healthy and successful, fulfilling their potential and contributing to their educational attainment.

2.4 Our world class offer also contributes to the vibrancy of the City and its neighbourhoods. Widening participation to ensure that the users of our community services reflect the diverse communities of Manchester remain a key priority.

2.5 The development of commercial activity across our parks and leisure and events have previously reduced the demand on revenue as well as increasing investment in our community assets impacting positively on the perception of the city and the opportunities for our residents.

2.6 The Directorate is fully committed to Zero Carbon Manchester and to reducing carbon throughout all programmes of work and raising awareness of carbon usage and looking for 'greener' alternatives. Key initiatives include driving forward the electric fuelling infrastructure, plant and equipment for all Council services.

2.7 The quality of our highways, number of potholes repaired and gully cleansing remains a priority for our residents and road resurfacing is now happening at a greater scale. We are currently on target to deliver the 5 year highway investment programme. Investment and the maintenance of our highways beyond the current 5 year programme will be an essential consideration in our future strategy.

2.8 Waste and recycling is the largest budget area for the Directorate including both the cost of waste disposal and collection/street cleansing (almost 50%) The current contract for Waste collection and street cleansing will come to the end of the first 8 years in 2023 and decisions on the future delivery model for this service will fall within the timeframe of the 5 year budget strategy. We have achieved our highest overall levels of recycling (40%) and lowest levels of residual waste over the last 10 years. However, as the City grows and as more people work at home this will continue to have an impact on the demand for these services which need to be managed. In addition, the impact of COVID over the last 9 months has led to more people being required to stay at home and this has led to increased levels of waste and contaminated recycling bins.

2.9 Investment in compliance and enforcement resources has led to an increase in business compliance, better managed neighbourhoods and measures to impact on flytipping have seen a positive impact in our neighbourhoods. Demand from anti social behaviour impacting on the quality of the places people live continues to rise and despite investment is still less than 50% of capacity in 2011.

2.10 The impact of COVID has impacted on our Parks, Leisure and Events functions which rely on income as well as the Cultural sector in the city. The latter in particular will take some time to recover if this is even possible in all areas.

2.11 The priority for the Directorate remains supporting communities and building resilience whilst maintaining safe, clean, well managed and connected neighbourhoods in line with the expectations of local members and residents in a city that continues to grow and within the limitations of resources available.

2.12 Developing partnerships to enable more effective models of delivery through The Bringing Services together for People in Places programme remains key to improving the offer at a local level for residents and to support a reduction in demand on key public services.

2.13 Our universal youth, leisure and culture offer combined is an offer to our residents that sets Manchester apart. The refreshed strategy has set out the city's commitment to our young people however this is an area that has struggled with the impact of COVID 19 and will take some time to recover.

3.0 Neighbourhoods Revenue Budget Strategy

3.1 The Neighbourhoods Directorate has a gross budget of £167m, and a net budget of c.£95.5m, with 1,470 FTE's employees. The breakdown by service area is provided in the table below:

Table 1: 2020/21 base budget

Service Area	**2020/21 Gross Budget £'000**	**2020/21 Net Budget £'000**	**202/21 Budgeted Posts (FTE)**
Compliance	12,163	8,581	**248**
Community Safety	4,850	2,322	**49**
Libraries, Galleries and Culture	12,853	9,316	**270**
Management and Directorate Support	1,120	1,120	**18**
Neighbourhood Teams	2,854	2,627	**51**
Other Neighbourhoods	1,649	455	**4**
Parks, Leisure, Youth and Events	19,316	7,563	**83**
Operations and Commissioning	54,849	18,730	**461**
Waste Disposal Levy	30,051	30,051	
Highways	27,403	14,738	**286**
Total	**167,108**	**95,503**	**1,470**

3.2 The 2020/21 cash limit budget is £95.5m, this is net of the £2.324m savings that were approved as part of the 2020/21 budget process.

Current In year forecast Position at December 20 (Period 9)

3.3 As at December 2020 the Directorate is forecasting a net overspend of c£11.163m, although this includes Covid-19 related pressures of c£15.224m, offset by in- year mitigation of £4.091m.

3.4 The Covid-19 pressures are made up of a combination £4.731m increased cost pressures, with the main pressure being the in year financial support of £3.32m being provided to the external leisure operator to fund the ongoing costs of maintaining the City Council leisure assets during the initial closure, and subsequent reduced operations through until March 2021. Sport England have made funding of £100m available to Local Authorities who partner with external providers in delivery of Leisure services. Manchester submitted a bid for c£1.3m financial support and the outcome of the bid should be notified to each local authority before the end of February 2021.

3.5 In addition to the additional costs, there is £10.493m reduced income through sales, fees and charges. This includes a combination of reduced trading income (£5.389m) within operations and commissioning services, reduced Highways income (£3.263m) through reduced off street parking income following lockdown in December, and fees and permit income, reduced sales income (£203k) in libraries because of closure of venues, and subsequent lower footfalls, loss of events and other income (£1.132m) in Leisure, Parks and Events, and reduced income of (£0.506m) from penalty notices and license income in Community Safety and Enforcement.

3.6 As part of the ongoing work seeking to mitigate the above pressures in year forecast savings of £4.091m have been identified, this is largely due to staff savings because of vacant posts, reduced running costs across all services and increased income in some areas.

3.7 The Neighbourhood's budget broken down over subjective headings is provided at Appendix 1

2021/22 Budget Pressures

3.8 As part of the Neighbourhood service budget planning a key consideration is the projected growth in the number of households across the City. Given the ongoing national response to the Covid-19 pandemic, and the uncertainty around both the level and duration of any restrictions that will apply in 2021/22 there are significant risks of further budget pressures across the Directorate. These will be monitored and reported as part of the monthly budget monitoring process. Detailed below are likely pressure areas that are already known, although they have not yet been quantified.

3.9 **Leisure Services Provision** – The existing leisure operator was appointed in 2019, and as part of their submission they included an initial income forecast of £12m and expected to increase this over the life of the contract and reduce the level of subsidy required from the Council. Due to the initial closure of leisure facilities, and subsequent reduced capacity as part of the conditions on the reopening of facilities which is expected to continue into 2021/22 it is extremely unlikely in light of the impact of COVID 19 that the original income projections as part of the tender submission will be achieved and further support from the Council could be required. Based on work done to date with GLL, indications are that additional costs of c£2.5m funding support may be required in 2021/22, and it is proposed that a budget of £1.2m, along with upto £1.3m of additional support from Sport England is earmarked to fund these costs in 2021/22. Work is ongoing with the contractor to identify any options for mitigating any additional costs.

3.10 **Waste Collection –** Due to the ongoing requirements for individuals to stay at home wherever possible this has led to an increased volume of domestic waste to be collected and disposed of. In addition, and unlike other areas in Greater Manchester it was agreed to collect any additional side waste left out by residents. This has created a pressure on the existing waste collection contractor to collect the increased volumes and has also increased the volume of waste requiring disposal and therefore the costs to the Council. In this financial year the additional costs of waste disposal have been offset by a rebate from the Greater Manchester Waste Disposal Authority (GMWDA). If the current position continues into 2021/22 this will likely result in further cost pressures that will need to be managed as part of the overall Council budget. This will be retained under review during 2021/22. A budget of c£1.2m has been established in 2021/22 and this is held as a Corporate contingency budget, and will be drawn down in year if required.

3.11 **External Income –** As part of the Directorate overall net budget there is an income budget of c£47m. If the restrictions linked to COVID 19 continue or are increased into 2021/22, then the external income budgets will be adversely affected into 2021/22. MHCLG have indicated as part of the recent finance settlement that the support to local authorities through the sales fees and charges return will be extended through until the end of June 2021, and based on the most up to date forecasts, loss of c£4.265m income have been provided for in respect of income losses in quarter 1 that will be claimed as part of the claim to MHCLG.

2021/22 savings Proposals

3.12 The Neighbourhoods Directorate has a net revenue budget of circa £95.5m of which £47m relates to waste collection, street cleansing and waste disposal. Outside of these areas the majority of the budget relates to staffing. In response to the identified Council wide budget gap all budgets have been reviewed in order that any efficiency savings or opportunities for increased income are identified and included for consideration by members. As part of the wider £50m savings The Neighbourhoods Directorate has identified an initial **£6.683m** in 2021/22 increasing to **£7.376m** by 2024/25 with an **FTE impact of 2** across the Neighbourhoods Directorate.

3.13 In seeking to minimise the impact on residents and neighbourhoods, all opportunities for maximising external income sources were considered and the overall Directorate proposals includes £5.985m of increased income generation, and these proposals will be considered by Resources and Governance Scrutiny Committee as part of the budget process. The proposals to be considered in this report total **£1.391m** and further details of the savings under the remit of this Committee are set out in more detail in table 2 below.

3.14 Within the **Compliance and Enforcement function total savings of c£164k** have been identified and this is made up of, the following;

3.15 £80k increased income from a combination of (£60k) fixed penalty notices, and (£20k) from introducing new charges for providing advice to businesses**.**

3.16 As part of looking at the overall staffing costs, savings of £20k are proposed this will be achieved through a small number of staff voluntarily taking up part reductions in their working week. This is forecast to provide savings of up to **£20k**

3.17 The **animal welfare service** is currently provided in house, and it is proposed to look at an alternative delivery model for this service which would impact on **2FTE's**. A tender exercise will be undertaken in order to move the service provision onto a contracted basis which is likely to reduce the flexibility that currently exists but could provide cost reductions of **£64k** subject to tender.

3.18 It is proposed to use additional time limited **grant funding of £137k** to replace existing mainstream budget provision within Compliance and Enforcement, particularly around the food inspection activity at Manchester Airport. This will be a one year saving only because of the time limited funding.

3.19 **Parks and Leisure service have identified** savings of **£0.582m**, these will be delivered through a combination of continuing to develop and increase the level of commercial income generated and increasing collaboration across leisure operators. There would be a lead in time to delivering these proposals with **an initial c£127k** being delivered in 2021/22 and the savings would increase over the following three years, the total £0.582m savings would be achieved through the following;

- Within the current approved capital programme there is c.£12m approved for investment in parks, and as part of developing the business cases to utilise this funding it is proposed that any investment decisions will include the ability to increase the income generation opportunities. Given the need for capital investment, and the time required to implement the required changes the £427k savings will be phased over a four year period, with an **initial £127k in 2021/22.** The year 1 savings are to be achieved based on the investment that has taken place in previous years and the successful commercial activities that already exist within the City's parks. Given the need to generate more commercial income the required capital investment will be focused on the larger parks, rather than the community parks.

- Within the **Leisure sector** there are a number of different arrangements in place, both within Manchester and wider across Greater Manchester, this includes both different operators and different operating arrangements. In an attempt to streamline the existing arrangements and deliver savings through economies of scale work will be undertaken to look at opportunities for collaborating with other Authorities in an effort to generate savings or increase income depending on the model adopted. Initial analysis indicates that savings of **c£155k** could be achieved but given the lead in time this would not be achieved until 2022/23. As part of the work to look at the proposals the impact of Covid-19 on leisure operations would need to be considered, and as referred to above, the likely ongoing support could make this saving more difficult to achieve, but this would be looked at as part of developing any business case.

3.20 Within the **Highways service** significant work has progressed over the last two years to restructure and reorganise the function to enable it to better deliver for the residents of the city. Savings of **c£0.645m** over 2021/22 and 2022/23 have been identified with minimal impact on the quality of service delivered, this includes a combination of reviewing existing charges and ensuring that income is maximised where possible, the initial proposals include identifying further opportunities to make eligible charges to the capital programme - **£270k,** seeking to ensure that any damage to highways infrastructure is recovered from the perpetrator or insurance company - **£25k**, increase the existing rates for permits and other rechargeable works. - **£75k** and increase the volume of commercial arrangements for provision of winter gritting service - **£25k.**

3.21 In addition to the savings above a further saving of **£250k** is proposed through a reduction in costs of accident claims/legal fees over the period. This is due to a combination of the ongoing highways investment and improved roads and footways and the reduced footfall level within the City. This would be phased £100k in 2021/22 and £150k in 2022/23.

3.22 **Operations and Commissioning - £5.985m**, - In continuing to develop the commercial offer and seeking to maximise external income, proposals have been identified that could provide **income of c£5.985m**, although £225k of this will be only realised in 2022/23, this includes:

3.23 Advertising - The tenders for the small format advertising contract were received in September and the new contract went live from January 2021. It is proposed that the income target will be increased by £1.3m per annum, following the award of the new contract.

3.24 Generation of a further £0.5m through advertising revenue. This will include A New large format site at Dawson St (£50k), and the introduction of a large new advertising screen in Piccadilly Gardens. The latter screen will be developed as part of the Piccadilly Gardens community scheme and could generate around £450k per annum. This will require planning permission and if planning approval is granted there will be a lead time of around six months following planning approval.

3.25 The existing **off-street parking** joint venture ended 31st December 2020. The new arrangements are that the car parks are to be managed in house from January 2021 once the City Council takes on responsibility for the ongoing management and maintenance of the City Council car parks, this will be funded through the parking fee income generated through the use of the car parks. It is forecast that the net surplus income retained by the City Council will be £4.1m per annum, this does assume that parking levels return to normal during 2021/22.

3.26 **Bereavement Services** operate as a business unit with agreed charges linked to the service offer. An increase of 1.9% above inflation is proposed which will bring fees and charges in line with other local authority areas, and result in an additional £85k income per year.

3.27 City Council markets operate on a cost recovery basis, except for Wythenshawe indoor market which continues to require financial subsidy from the Council. It is proposed to close the indoor market in order to remove the need for the annual £110k subsidy requirement. Work will progress to support the traders to access alternative sites, either in the outdoor market or elsewhere within the City. The outdoor market will remain operational

Other Changes

3.28 As referred to at 3.9 above, the Leisure contract provider GLL submitted a tender based on the generation of an initial £12m of income. Due to the impact of Covid-19 and the need for ongoing social distancing it is unlikely that the initial forecast volume of users will be achieved, and this will reduce the overall levels of income generated. Initial estimates are that the likely pressure in 2021/22 will be around £2.5m, and Council resources of £1.2m have been included within the proposed budget, and this will be topped up with any additional support received through the recent Sport England funding submission.

3.29 Government have extended the support for any lost income through sales, fees and charges into quarter 1 of 2021/22 and based on the current forecast the overall support to the Neighbourhood Service is likely to be c£4.435m. The largest loss will be in highways (£2.836m), and in particular the loss of off street parking income within the City Council car parks, other income losses include and £127k compliance and safety, £0.518m in parks leisure and Events, and £51k in Libraries and Galleries.

3.30 The waste disposal levy is paid over to Greater Manchester Combined Authority, and contributes towards their costs of funding GMWDA. Based on figures provided by GMCA the 2021/22 levy costs are to reduce by £1.320m and the budget has been adjusted accordingly.

3.31 As part of the 2020/21 budget ongoing investment of £330k in Domestic Violence support was approved, with an initial £100k in 2020/21 and further £230 in 2021/22. This funding will support earlier identification and intervention working with key partners and agencies. This is a trauma informed response that provides an opportunity to resolve issues, preventing the escalation of risk and demand on services such as the Independent Domestic Violence Advisory (DVA) and the Multi Agency Risk Assessment Conference (MARAC).

3.32 Table 2 below is a summary of the Neighbourhoods saving proposals broken down by service area including the FTE impact. Whilst table 3 shows the overall change in budgets broken down by service area.

Table 2

Service Area	Description of Saving	Type of Saving	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	Total £'000	FTE's
Compliance	Outsource the animal welfare service	Efficiency	(64)				(64)	2
Compliance	Increase income from fines and advice	Income Generation	(80)				(80)	
Compliance	Use EU funding to fund posts for 1 year	Income Generation	(137)	137			0	
Compliance	Source volunteers to work reduced hours	Efficiency	(20)				(20)	
Parks, Leisure, Youth and Events	Increased Income from investment	Income Generation	(127)	(100)	(100)	(100)	(427)	
Parks, Leisure, Youth and Events	Leisure collaborations	Income Generation		(155)			(155)	
Highways Service	Reduction in claims for accidents and trips	Efficiency	(100)	(150)			(250)	
Highways Service	Charge 50% of Development Specialist to capital	Income Generation	(40)				(40)	
Highways Service	Bring in a new service to recover costs for damaged highway items	Income Generation	(25)				(25)	

Service Area	Description of Saving	Type of Saving	2021/22 £’000	2022/23 £’000	2023/24 £’000	2024/25 £’000	Total £’000	FTE’s
Highways Service	Increase charges for permits	Income Generation	(25)				(25)	
Highways Service	Recharge developers for use of the highway	Income Generation	(50)				(50)	
Highways Service	Additional Winter gritting service to 3rd parties	Income Generation	(25)				(25)	
Highways Service	Charge remaining 50% of Gully/Drainage staff to capital	Income Generation	(66)				(66)	
Highways Service	Increase fees to cover costs on external schemes	Income Generation	(164)				(164)	
Operations and Commissioning	Small Format Advertising	Income Generation	(1,300)				(1,300)	
	Piccadilly Gardens Adverts	Income Generation	(225)	(225)			(450)	
	Dawson St	Income Generation	(50)				(50)	
	Off St Parking	Income Generation	(4,100)				(4,100)	
	Bereavement Services	Income Generation	(85)				(85)	
Total Savings			**(6,683)**	**(493)**	**(100)**	**(100)**	**(7,376)**	**2**

Table 3

Service Area	2020/21 Net Budget £'000	Approved Savings £'000	Investment and other changes £'000	2021/22 Net Budget £'000
Compliance	8,581	(301)	357	8,637
Community Safety	2,322	0	0	2,322
Libraries, Galleries and Culture	9,316	0	51	9,367
Management and Directorate Support	1,120	0	0	1,120

Service Area	2020/21 Net Budget £'000	Approved Savings £'000	Investment and other changes £'000	2021/22 Net Budget £'000
Neighbourhood Teams	2,627	0	0	2,627
Other Neighbourhoods	455	0	0	455
Parks, Leisure, Youth and Events	7,563	(127)	1,718	9,154
Operations and Commissioning	18,730	(1,660)	903	17,973
Waste Disposal Levy	30,051	0	(1,320)	28,731
Highways Service	14,738	(4,595)	2,836	12,979
Grand Total	**95,503**	**(6,683)**	**4,545**	**93,365**

4. **Capital Strategy**

4.1 The approved Neighbourhood Directorate capital programme is detailed in the Council's Capital Strategy report, which is included in the suite of budget reports submitted to the Executive and Council. The Capital Strategy also includes details on potential future capital investment which has been identified, and which is expected to be brought forward in the medium term.

4.2 The revenue implications of any approved capital projects have been incorporated into the revenue budget. Before any of the potential investment priorities are approved, the revenue implications of the investment will be reviewed and agreed as part of the approval process. "

5. Workforce Implications

5.1 The workforce implications related to the savings require a reduction 2fte, and this will be managed within existing turnover across the service and Directorate.

5.2 To support the workforce reductions a time limited targeted Voluntary efficiency scheme was opened, and this closed on 11 December. It is expected that the required reduction in staff numbers will be achieved.

6.0 Equality Diversity and Inclusion

6.1 We will continue to ensure that the Council meets its obligations under the Public Sector Equality Duty, building on our successes at fostering good relations between Manchester's communities of identity and maintaining fair and equal access to Council functions. Through ongoing customer monitoring, satisfaction and engagement approaches, we will strengthen and utilise our growing evidence bases within the Directorate to identify the differential experiences of individual identity groups in Manchester accessing Council services, and proactively respond to make these as fair and equitable as possible.

6.2 The Neighbourhood Directorate is committed to understanding and addressing the effects and impacts of its activities for the diverse range of people using its services. To achieve this, we are committed to undertaking equality analysis of the proposed changed services to ensure they are accessible and inclusive, and do not cause adverse equality impacts. The Neighbourhood Directorate will use the Council's Equality Impact framework to do this.

7. Risk Management

7.1 The Neighbourhood Directorate will seek to manage all expenditure within the approved budget available and performance against budgets will be monitored and reported to members on a regular basis, this will include a risk register with any mitigations identified.

8. Legal

8.1 There are no legal implications arising from this report.

9. Consultation

9.1 A public consultation is currently underway asking residents for their views on the Council's 2021/22 budget savings options. The consultation opened on 20 January 2021 and runs for a period of four weeks, closing on 21 February 2021. In addition to promotion via the Council's website, social media channels and e-bulletins, a consultation toolkit has been shared with community partners, voluntary and community sector partners, Councillors and key stakeholders to ensure that the consultation is promoted widely within our communities.

9.2 The consultation can be found at www.manchester.gov.uk/budget. The results will be shared at the Budget Resource & Governance Scrutiny Committee on 1 March 2021.

10. Our Corporate Plan

10.1 Our Corporate Plan describes the Council's contribution over the next 2-3 years to delivering the Our Manchester Strategy 2015-2025. These priorities have been refreshed for 2021-22 to align with the reset of the Our Manchester Strategy and to further strengthen the council and city-wide focus on the importance of Equality, Diversity and Inclusion.

10.2 These budget proposals are aligned to our Corporate Plan to ensure the priorities will be achieved. Our Corporate Plan themes and revised priorities are set out in the table below:

Theme	Priority
1. 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*	Support the citywide Climate Change Framework 2020-25 including the Council's roles in reducing citywide CO_2 emissions and improving air quality
	Deliver activities to reduce the Council's own direct CO_2 emissions by at least 50% by 2025, as set out in the Manchester Climate Change Action Plan 2020-25
2. Growth that benefits everyone *Boost the city's productivity and create a more inclusive economy that all residents participate in and benefit from, and contributing to reductions in family poverty, as set out in the Our Manchester Industrial Strategy*	Deliver the Economic Recovery Plan, supporting the delivery of key growth schemes and the protection and creation of good-quality jobs for residents, enhancing skills, and effective pathways into those jobs. Includes support to Manchester's businesses and residents affected by challenges to the international, national and local economy.
	Facilitate economic growth and recovery in different sectors of the economy, which supports the creation of a more inclusive economy.
	Support residents in order to mitigate the impact of poverty and take actions to reduce the number of people experiencing poverty, in particular given the effects of COVID-19. Including young people, older people, BAME groups and people with disabilities
3. 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*	All children to have access to a high-quality education, which is provided in an inclusive way. Children's school attendance to be achieved and sustained at or better than historic levels.
	Support more Manchester children to have the best possible start in life and be ready for school and adulthood. This includes ensuring that the voice of children and young people is heard, and that they have access to youth, play, leisure, and cultural opportunities.
	Reduce number of children needing a statutory service.
4. Healthy, cared-for people *Work with partners to enable people to be healthy and well. Support those who*	Take actions to improve population health outcomes and tackle health inequalities across the city.
	Support the next phase of health and social care integration in the city, including plans to supercharge Manchester Local Care Organisation.

Theme	Priority
need it most, working with them to improve their lives	Enable delivery through the MLCO of the Adult Social Care transformation programme – 'Better Outcomes, Better Lives' – focused on taking a strengths-based approach, supporting independence, building on the ASC improvement programme and embedding this into the MLCO Operating Model.
	Reduce the number of people becoming homeless and enable better housing and better outcomes for those who are homeless
5. Housing *Ensure delivery of the right mix of good-quality housing so that Mancunians have a good choice of quality homes*	Support delivery of significant new housing in the city, including through an effective recovery from COVID-19.
	Ensure inclusive access to housing by the provision of enough safe, secure and affordable homes for those on low and average incomes. This includes strategically joining up provision, and the improved service to residents enabled by direct control of Council owned housing in the north of the city.
6. Neighbourhoods *Work with our city's communities to create and maintain clean and vibrant neighbourhoods that Mancunians can be proud of*	Enable all our diverse neighbourhoods to be clean, safe and vibrant.
	Embed neighbourhood working across the whole Council and our partners, and deliver services closer to residents.
7. 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, whilst increasing walking and cycling.
	Facilitate the development of the city's digital infrastructure, to enable delivery of transformed public services and a more economically inclusive and resilient city.
8. Equality *Deliver on our equality, diversity, and inclusion commitments to support Manchester's vision to be a progressive and equitable city.*	Work together with Manchester's citizens and our partners to understand our diverse communities, improve life chances, and celebrate diversity.
	As an employer, ensure a fair and inclusive working environment which recognises, values and responds to the dynamics and opportunities of a diverse workforce.
9. Well-managed council	Development of the future shape of the Council, along with budget reductions and savings.

Theme	Priority
Support our people to be the best and make the most of our resources	Effectively manage our resources, via budget management and planning, support to managers and performance management.
	Carry out the work required to transform our Corporate Core.

11. Conclusion

11.1 The Council continues to face a period of significant change and there are Increased demands for services alongside the need to make budget cuts. The budget strategy provides Members with details of the work that has been undertaken, and is ongoing within the Neighbourhood Directorate to ensure we are able to continue providing quality effective services to neighbourhoods across the City.

11.2 The proposed revenue budget for 2021/22 is a one year budget which is aligned to both the Governments one year budget settlement and the Councils one year budget proposals.

11.3 The Directorate budget proposals in this report have been refined following feedback from both November and January Scrutiny Committees. The report will be submitted for further Scrutiny prior to going Executive in February 2021 for review prior to going to Council in March 2021 for final approval as part of the overall Councils budget.

Appendix 1

Subjective Heading	2020-2021 Budget £'000	2021-2022 Indicative Budget £'000
Expenditure:		
Employees	54,241	54,157
Running Expenses	106,679	114,287
Capital Financing Costs	4,141	4,141
Contribution to reserves	15,937	9,893
Total Subjective Expenditure	**180,998**	**182,478**
Less:		
Other Internal sales	(13,890)	(13,890)
Gross Expenditure	**167,108**	**168,588**
Income:		
Government Grants	(5,419)	(2,266)
Contributions from Reserves	(16,786)	(23,793)
Other Grants Reimbursements and contributions	(2,540)	(483)
Customer and Client Receipts	(46,858)	(48,679)
Other Income	(2)	(2)
Total Net Budget	**95,503**	**93,365**

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Manchester City Council
Report for Resolution

Report to: Neighbourhoods & Environment Scrutiny Committee - 10 February 2021
Executive – 17 February 2021

Subject: Homelessness Directorate Budget and Savings Options 2021/22

Report of: Director of Homelessness

Summary

As a result of the COVID pandemic there has been additional demand for services and impact on the Council's income (as set out in the January reports to Executive and scrutiny committees) the Council is facing a significant budget gap for 2021/22 onwards. Funding announcements in the Government's spending review on 25 November and provisional local government finance settlement on 17 December suggest the Council will not be facing the worst-case scenario for 21/22, which was a shortfall of around £100m. The government settlement assumes eligible Councils will increase Council Tax by 3%, for the Adult Social Care precept. After accounting for additional Adult Social Care funding through both additional precepts and grant the revised savings proposals from all Directorates total £41m. The report of the Deputy Chief Executive and City Treasurer, to Resources and Governance Scrutiny Committee 12 January provided an update on the finance settlement.

This report provides the high-level budget context and priorities for Homelessness across 2021/22 and is an update to the report presented to Neighbourhoods and Environment Scrutiny 13 January 2021, which has been used for the development of savings proposals 2021/22 and investment requirements to fund population driven and other budget pressures.

Recommendations

1. The Committee is asked to consider and make recommendations to the Executive on the budget proposals which are within the remit of this Committee.

2. The Executive is recommended to approve these budget proposals.

Wards Affected: All

Environmental Impact Assessment - the impact of the issues addressed in this report on achieving the zero-carbon target for the city
Encouraging commissioned and inhouse services to reduce CO2 emissions and reduce their use of plastics will contribute to a low carbon city. Introducing climate change conversations with homeless people will support them in adopting a low carbon lifestyle.

Our 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	Helping people to stay in their accommodation through prevention work will help them to thrive. Reducing the number of people who are homeless or placing them in appropriate accommodation with help to access employment and learning opportunities will contribute to Manchester becoming a thriving and sustainable city.
A highly skilled city: world class and home grown talent sustaining the city's economic success	Having public, private and voluntary sector organisations working together to help people who have personal insight into homelessness into volunteering and employment will contribute to the objective of having a highly skilled city. Employment breaks the cycle of generational benefit dependency and will encourage children to access school and employment in later life
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	Supporting people who are homeless to access employment and accommodation will unlock their potential to help them become independent citizens who contribute to our city. Working with the Homelessness Partnership to ensure that the views of people with personal insight into homelessness influence ways of working.
A liveable and low carbon city: a destination of choice to live, visit, work	Encouraging commissioned and inhouse services to reduce CO2 emissions and reduce their use of plastics will contribute to a low carbon city. Introducing climate change conversations with homeless people will support them in adopting a low carbon lifestyle.
A connected city: world class infrastructure and connectivity to drive growth	Promoting inclusive growth for the benefit all Manchester citizens

Contact Officers:

Name: Bernie Enright
Position: Executive Director of Adult Social Services
Telephone: 0161 234 4314
E-mail: bernadette.enright@manchester.gov.uk

Name: Mike Wright
Position: Director of Homelessness
Telephone: 0161 234 3119
E-mail: mike.wright@manchester.gov.uk

Name: Chris Thomas

Position: Head of Group Finance
Telephone: 0161 234 3851
E-mail: chris.thomas@manchester.gov.uk

Background documents (available for public inspection):

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

Provisional Local Government Finance Settlement 2021/22 – Executive 20 January 2021
Homelessness Directorate Budget and Savings Options 2021/22 – Neighbourhoods and Environment Committee 13 January 2021 and Executive 20 January 2021
Homelessness Budget Report 2020/21 – Neighbourhoods and Environment Scrutiny Committee 5 February 2020 and Executive 12 February 2020

1.0 Introduction

1.1 The report outlines the financial position and sets out proposals for savings against Homelessness aligned to the remit of the Neighbourhoods and Environment Scrutiny Committee to help achieve a balanced budget in 2021/22. As set out above this report sets out a one year budget for 2021/22, however the longer term implications have been considered and these are considered in the Council's medium term financial planning.

1.2 The report has been updated to reflect the Comprehensive Spending Review and Financial Settlement for the City Council which have resulted in a reduction in the Homelessness savings target of £0.5m. The City Council's current indicative Medium-Term Financial Plan (MTFP) modelling still includes a £2.335m savings target but provides for the additional resources linked to the ongoing impact of Covid-19 £6.823m as well as increased need of £1.391m, a net increase of £5.879m. Where possible service reductions have been avoided by utilising the investment linked to the Covid-19 response to mainstream services and to create a journey through the service to ensure no one returns to the streets as a result of reduced bed spaces. This includes the protection of Housing Related Support budgets as well as retaining properties currently used to support A Bed Every Night (ABEN), protecting sites whilst retaining value for money and delivering improved outcomes for residents.

1.3 In addition, it is proposed to reduce existing discretionary housing payments budget by £1m, this budget sits outside of the Homelessness remit. This has reduced from the previous £1.5m proposed and a detailed report was taken to the December's Resources and Governance Scrutiny meeting outlining the demand for this funding. The Government currently provide £2.538m grant support for discretionary housing payments, and it is proposed that City Council mainstream resource of £1m rather than the original £1.5m, that supplements the Government funding is withdrawn from 2021/22. Although there will still be a significant reduction on the available support to residents at a time when the demand for this support will potentially be increasing, it is anticipated that some of the impact will be mitigated because there have been temporary increases to the Local Housing Allowance Rates, that increases the level of benefit entitlement towards tenants rents, and the £20 increase in universal credit has also led to a reduction in the call on the DHP budgets and that the reduced level of the cut should enable demand to be met.

2.0 Background and Context

2.1 Homelessness has been at the forefront of the Council response to Covid-19 and effectively delivered the government's 'Everyone In' programme since its inception, providing accommodation for people sleeping rough in the city. Working with colleagues from the Greater Manchester Combined Authority (GMCA), voluntary sector, internal partners and other local authorities across Greater Manchester, 12 separate venues were secured, mainly within Manchester itself, representing 372 bed spaces, with 277 people who were sleeping rough and who are currently accommodated have been placed by Manchester City Council. This is a significant achievement but has come at considerable cost with an indicative additional cost in 2020/21 of £7m. Ongoing funding of £7m has been allocated to maintain this provision beyond March 2021 (£6.277m general fund and £0.723m increase in Homelessness Prevention Grant), however as noted in the January Scrutiny report, if costs could be managed for less this will provide mitigation for the level of cuts which need to be made and this is the revised approach which has been taken. The reported Homelessness overspend in Period 9 2020/21 was £6.383m, linked to Covid-19 response.

2.2 In the longer-term, greater unknowns include the potential homelessness related economic impact of Covid 19 on individual households, such as unemployment, debt, arrears and home/tenancy loss. There are real risks of increasing homelessness through residents who lose tenancies and/or are no longer able to access affordable housing, so there is a real risk around any potential reductions to preventative or support services as activity levels and increased need could increase exponentially. Presentations in 2019/20 were 9,840, 21% higher than in the previous year. Despite Covid-19 restrictions, presentations from April to December 2020 (Quarter 3) are 6,766 and are expected to increase significantly once the impact of expected increases in unemployment and subsequent evictions are experienced across the City.

2.3 The Homelessness budget report for 2020/21 identified the greatest risk to the priorities of the service and the budget strategy is the continuing rise in need and the uncertainty of short-term funding and temporary staffing capacity. These risks have increased due to the impact of Covid-19. A key focus is on cost avoidance through preventing Homelessness and benefits maximisation, any reductions to preventative services will result in increased costs in future years.

2.4 Over the last three rounds of budget setting, Homelessness have received a net investment of £9.2m to protect front line services and to invest in preventative measures. However, continually escalating demand is placing critical and constant pressure on the system which is building cumulatively. This is due to the continually growing imbalance between need and the availability of affordable solutions to meet this. This will be exacerbated by the impact of Covid-19, particularly in terms of pent-up demand for homelessness services due to mental health, domestic abuse and the insecurity and unhealthiness of overcrowding and shared accommodation. Therefore, the key solution for Manchester City Council is to take a broader system-wide focus and re-design the system in the city for people in housing need and at risk of homelessness.

2.5 The vision for the Homelessness Directorate mirrors the Homelessness Charter vision and the Homelessness Strategy for the City (2018-23) developed with Manchester Homelessness Partnership. The Partnership consists of people with personal insight into homelessness, and organisations working to reduce homelessness and has agreed the following three key priorities:

- Homelessness a rare occurrence: increasing prevention and earlier intervention at a neighbourhood level.
- Homelessness as brief as possible: improving temporary and supported accommodation to be a positive experience.
- Experience of homelessness to be a one-off occurrence: increasing access to settled homes.

2.6 Since August 2019, the Directorate has adopted 4 key aims to focus on and to provide a clear, strategic direction. These are embedded into service plans, will continue to be in the future, and will form the core of the activities for the service in 2021/22. The 4 key aims adopted are:

- Reduce rough sleeping
- Reduce the use of temporary accommodation
- Reduce the cost of temporary accommodation
- Increase prevention

2.7 The 2020/21 business plan and budget recognised the continuing challenge of availability of affordable housing in the city. Welfare Reforms such as the freezing of Local Housing Allowance, the ‘bedroom tax’, the benefit cap, application of the shared room rate to single households under 35 and a stricter sanctions regime have all contributed to the increase in demand and also the ability of the Directorate to prevent and relieve homelessness. In addition, recent case law relating to the purpose of benefits payments will also make the prevention of homelessness and the rehousing of homeless households in receipt of benefits potentially more difficult.

2.8 The private rented sector has grown significantly in the last decade and rents have increased three times faster than wages nationally. This tenure is increasingly unaffordable for families on low incomes, particularly to households in receipt of Local Housing Allowance. The loss of a private rented tenancy has recently become the prime reason for people who are accepted as statutorily homeless. Work is ongoing with Private Rented Sector landlords to investigate the extent of arrears and provide support to landlords and their tenants to prevent loss of tenancy.

3.0 Budget Strategy

3.1 The overall approach to budget strategy has been to align with the 4 key strategic aims of the service as detailed in 2.6, above and to utilise the investment to maintain frontline delivery in support of these aims, keeping service reductions to a minimum. The budget strategy for Homelessness has been to contain the cost of rising need for temporary accommodation within available resources whilst also prioritising resources towards service developments that will achieve the service’s priority to prevent and reduce the incidence of homelessness. This has been supported by significant additional investment from the Council, maximising draw down of Housing Benefit income that the Council can claim and seeking opportunities for accessing external funding.

3.2 The greatest risk for the priorities of the service and the budget strategy is the continuing rise in need which is likely to be exacerbated by the impact of Covid-19 and the uncertainty of short-term funding. Primarily, key services designed to deliver homelessness prevention and rapid rehousing, underpinned by time-limited funding are the ones presenting most risk as these have the greatest impact on reducing the use of temporary accommodation and in enabling more housing solutions to reduce the length of people's stay. The 2020/21 budget process allocated £1m of funding to support the key teams at significant risk, the Section 21 team and the Private Rented Sector Team where 33 staff are employed to improve outcomes for people and supporting service priorities.

3.3 The number of people and families in temporary accommodation has continued to rise from 1,663 in March 2020 to 1,913 in December 2020. This is following a significant increase over the last few years where numbers in temporary accommodation are now ten times what they were five years ago. Unsupported temporary accommodation (Bed and Breakfast) usage during December averaged 239 households in this form of accommodation - 213 single people and 26 families per night.

3.4 Successful management of pressures and risks must be addressed in the context of continually increasing demand and footfall, with over 9,840 households approaching the service in 2019/20. Presentations for April to December 2020 (Quarter 3) are 6,766, with numbers expected to increase in the latter half of the year. Funding for increased need of £0.979m was applied to support the budget position this year as part of the budget setting process for 2020/21 based on estimated growth in demand and assuming increases continued along a trend of 5 properties per week, with a further budget increase of £1.391m allocated for 2021/22 as well as an additional £0.546m linked to the Covid-19 investment of £6.823m, an increase in funding of £1.937m for Dispersed Accommodation provision.

3.5 The Service Transformation Programme will form the core of the approach to tackling and reducing homelessness over the next three years. It will be the framework in which reductions in temporary accommodation and rough sleeping will be achieved through a radical reorganisation of the Homelessness Service and its activities. The programme will focus on five key areas; the strategic vision, redesigning the journey through the system, prevention, accommodation and communication and development.

3.6 Several individual projects make up the programme as a whole, addressing each part of the system and redesigning it. Examples of bespoke projects include improving prevention and move-on through more cost-effective enhanced incentives for private landlords to increase the level of property available in order to rehouse households, at lesser cost than expensive and unsuitable temporary accommodation and bed-and-breakfast. The service will work with Early Help, Education Services and Integrated Neighbourhood Teams providing a multiagency/multi-modal prevention response to those households identified as being at risk of homelessness before they hit crisis point and critically before they need to present as homeless.

4.0 Revenue Strategy

4.1 The current Directorate budget for 2020/21 is summarised in the table below, with a net budget of £15.521m for Homelessness. The Homelessness Commissioning budget in 2020/21 is currently part of the Manchester Health and Care Commissioning Pool but is managed by the Director of Homelessness, with a net and gross budget of £6.095m. As part of the 2021/22 budget setting process it is anticipated that this budget will formally transfer to Homelessness.

Table 1: 2020/21 Base Budget

Service Area	2020/21 Gross Budget £'000	2020/21 Net Budget £'000	202/21 Budgeted Posts (FTE)
Homelessness	40,007	15,521	270
Homelessness Commissioning*	6,095	6,095	6
Total	**46,102**	**21,616**	**276**

*Homelessness Commissioning budgets are part of the Manchester Health and Care Commissioning pool in 2020/21 but are managed by the Director of Homelessness

4.2 The 2020/21 Homelessness budget is supported by significant non-recurrent one-off funding. Funding announcements for 2021/22 are detailed below.

- The Homelessness Prevention Grant replaces the Flexible Homelessness Support Grant and New Burdens Homelessness Reduction Grant in 2021/22, Manchester's allocation is £3.285m, an increase of £0.723m from last year.
- Rough Sleeper Initiative funding of £0.724m funds a number of different initiatives and services that work together as an RSI Partnership, with the objectives of preventing people from rough sleeping and finding accommodation for people already rough sleeping. This funding includes the provision of a Rapid Rehousing Pathway programme for 4 Navigators and 1 Team Leader. These are attached to the Council's Outreach Team and the Navigators develop relationships and help people who sleep rough to access appropriate local services, get off the streets and into settled accommodation. For budget purposes it is assumed that this funding will continue at similar levels to this financial year for the above schemes with a co-produced bid likely to be submitted to MHCLG in the coming months. However, the bid will also request support to continue the Protect programme which was funded by MHCLG. Protect Programme funding of £450k was allocated to support the ongoing efforts to provide accommodation for rough sleepers doing the pandemic (December 2020 to March 2021), this is targeted additional funding awarded to ten areas in England with high numbers of rough sleepers. The additional funding is to be utilised for both accommodation and specialist support in the form of specialist mental health and substance misuse support.
- The proposed allocation of funding for the continuation of A Bed Every Night (ABEN) from Greater Manchester Combined Authority (GMCA) is £1.763m.

4.3 Dispersed temporary accommodation placements have increased by 303 since March 2020 to 1,913 in December 2020. The number of homelessness presentations in Manchester remains high despite the pandemic. Presentations from April to December are 6,766. Funding for increased need of £1.937m has been applied to support the budget position based on estimated growth in demand since the start of the year. Funding of £6.277m has been allocated to maintain the provision created as a result of the Governments Everyone In strategy to ensure that those provided with accommodation do not return to the streets beyond March 2021, however as noted in the January Scrutiny report, if costs could be managed for less this will provide mitigation for the level of cuts which need to be made and this is the revised approach which has been taken.

4.4 Resources of up to £1.620m held within the Homelessness reserve will be set aside to underwrite the potential pressures in Homelessness.

Savings Options and Proposals

4.5 The approach to savings will be based on the proposed Service Transformation Programme which gives a strategic direction and framework to services, based on a focus of outcomes and partnerships. Following the receipt of the Provisional Settlement, the Council is likely to require cuts in the region of £50m, the Homelessness proposals deliver £2.335m in 2021/22, detailed in Table 2 below. These proposed reductions will allow the Council to plan effectively to deliver a balanced budget in 2021/22. The Homelessness Service have utilised the investment money linked to Covid-19 to create a journey through the service for individuals and protecting front line services such as properties used at present for ABEN and Housing Related Support with a key focus on move on delivered through greater direct control over the commissioning of these services and embedding them within a move-on pathway to make the most efficient use of the beds available.

Table 2: Savings Proposals

Service Area	Description of Saving	Type Of Saving	RAG Impact	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	Total £'000	FTE's
Singles Accommodation	New Provision Rough Sleepers, utilising established schemes and ensuring there is move on available through the system	Efficiency	Amber	1,400	0	0	0	1,400	0
Homelessness Commissioning	Realign service provision to support move on from single rough sleeper provision funded via investment	Efficiency	Amber	621	0	0	0	621	0
Homelessness Commissioning	Budget reductions in Homelessness Commissioned services with minimal impact on service delivery	Service Reduction	Red	66	0	0	0	66	0
Homelessness Management	As part of 2020/21 funding was assigned for 3 FTE grade 10 posts to lead on the service redesign, this work will now be undertaken within existing resources	Service Reduction	Amber	89	0	0	0	89	3
Homelessness Management	Management reductions for G10 and above	Service Reduction	Amber	108	0	0	0	108	2
Families Specialist Accommodation	Full service redesign linked to VS/VR offer	Service Reduction	Amber	51	0	0	0	51	2
Total				**2,335**	**0**	**0**	**0**	**2,335**	**7**

Covid-19 response and Everyone In

4.6 Initial indications were that the annual cost of provision for providing accommodation for those previously sleeping rough in response to Covid-19 and Everyone In is £7m. However, the Directorate are working with partners to confirm the expected provision beyond March 2021 which recognises the longer term needs of those who were sleeping rough and recognises the longer-term accommodation needs. Positive discussions are ongoing with MHCLG to bid for funding to maximise recouping of MCC costs, work will also continue to maximise housing benefit claimed to support the new schemes in the long run, thereby providing better value provision as a legacy. Therefore, current plans are to ensure that provision can be maintained at £1.4m below the original estimate of £7m as rough sleepers are moved out of temporary hotel accommodation and into more permanent accommodation ensuring residents do not return to the streets. If these costs can be managed for less than that will provide some mitigation for the level of cuts required. It is essential that this investment is utilised to fund move on schemes as well as Hotels to ensure that there is a journey through the system allowing individuals to move through the system and ultimately be housed in Housing Related Support or the Private Rented Sector.

4.7 Manchester City Council and Registered Providers (RP's) in Manchester have bid for funding from MHCLG to bring additional properties on line by 31st March 2021. To date bids have been approved to bring on board an additional 80 bed spaces. These bids aim to supply additional properties for use and are supported along with maximising Housing benefit and grant funding. The creation of these properties would create the vacancies in housing related support, to move the people from the 'Everyone In' hotels, ensuring appropriate support. This proposal is dependent upon keeping Housing Related Support accommodation open though, as otherwise there will be no accommodation to move people into.

4.8 We know that there are a number of people still sleeping rough, and that we will see an increase in people sleeping rough due to the economic impact of Covid-19 and the lifting of the eviction embargo. We want to ensure that there is a rapid offer of accommodation and support available so that their time spent on the streets is minimised, thus reducing cost pressures.

4.9 As referenced in 4.2, £1.763m funding from GMCA will be provided to deliver A Bed Every Night in 2021/22. The proposal is to reduce the ABEN provision in Manchester by approximately 39 beds, these beds costing £706k will be funded instead via the mainstream investment, as a result this should not be seen as a 'loss' of ABEN provision to the overall programme, but an outcome of continued integration into local systems to meet the specific makeup of local demand. This allows the retention of the schemes with the greatest value for money and deliver good outcomes. Additional benefit is delivered through greater direct control over the commissioning of these services and embedding them within a move-on pathway to make the most efficient use of the beds available.

Externally Commissioned Homelessness Services

4.10 Review of the Housing Related Support Budgets c£6m, work is ongoing to identify value for money achieved and the outcomes delivered for each of the schemes to ensure each contract is delivering against the objectives. With indicative savings proposal of £0.621m.

4.11 Discussions with housing providers at present are centred around maintaining current service delivery as far as possible with improved outcomes. It is proposed to utilise £0.621m investment funding linked to the Rough Sleepers Covid-19 response referenced in 4.6 to repurpose the Housing Related Support Complex Pathway provision as move on from Hotel accommodation, retaining the services which deliver the greatest value for money for Homelessness. Funding via the investment avoids the need to close some schemes which would have impacted significantly on service delivery and therefore protects accommodation schemes, resettlement and other support services.

4.12 The proposed approach will avoid the need to reduce funding to Housing Providers and the number of units currently available for move-on, these services provide essential support to some of our city's most vulnerable residents, including young people and people sleeping rough. Housing Related Support (HRS) services support the key objectives in the city's homelessness strategy; they work to ensure that a person's experience of homelessness is as brief as possible by supporting them to develop the skills to move on to independent living, and they help to make homelessness a one off, and not a repeated experience by providing resettlement support to allow people to maintain their settled homes on an ongoing basis.

4.13 A review of the Homelessness Commissioned budgets have identified £66k of budget reductions which can be implemented without impacting on the number of bed spaces available and minimal impact on service delivery.

Homelessness Management

4.14 A full service redesign was already planned in Homelessness as the Directorate aims to focus on prevention and improving the flow of residents through temporary accommodation, this redesign will take place within Homelessness which will include a review of the management structure, including the Directorate Management Team. The management structure at Grade 10 and above is 9 FTE supported by a budget of £639k. As part of 2020/21 budget setting, funding was assigned for 3 FTE grade 10 posts to lead on the service redesign, this work will now be undertaken within existing resources. These posts were proposed as 18-month posts so reduction in posts would deliver £89k of savings in 2021/22.

4.15 33 FTE additional management posts support the service between grades 7-9, with a budget of £1.383m. The redesign aims to reduce management levels and replace them with a more consistent structure. At this stage it is not known what level of savings can be delivered to maintain appropriate management to staffing ratios across the service, but it is anticipated that there will be minimal reduction in FTE across all grades, with an expected reduction of 4 FTE with a saving of £159k subject to staff consultation.

4.16 As part of the redesign the provisional assumption is a more coherent split into three defined service portfolio areas: Accommodation, Access and Assessment (including Housing Solutions and Rough Sleeping) and Commissioning, Strategy and Policy. Each portfolio will contain re-aligned services in a more efficient arrangement and with a more coherent and consistent management structure beneath. This includes the proposed removal of tiers of management from within the structure.

4.17 The Programme will deliver a more joined-up system based around locality-based prevention. The current legislative-based process does not serve people well in terms of delivering outcomes and so the aim is to deliver a more person-centred service based on needs, with more people taken out of the formal statutory process altogether.

4.18 The proposed 2021/22 budget for the Homelessness and Homelessness Commissioned Services is a net budget of £27.495m as reflected in table 3 below:

Table 3: Proposed Budget 2021/22 - Approved MTFP

Service Area	2020/21 Net Budget £'000	Approved savings £'000	Investment and other changes £'000	2021/22 Net Budget £'000
Singles Accommodation	1,676	(1,400)	5,656	**5,932**
B&B's	3,974		0	**3,974**
Families Specialist Accommodation	299	(51)	0	**248**
Dispersed Temporary Accommodation	3,586	0	1,937	**5,523**
Homelessness Management	757	(197)	0	**560**
Homelessness Assessment & Caseworkers	2,629	0	173	**2,802**
Homelessness PRS & Move on	792	0	0	**792**
Rough Sleeper Outreach	397	0	0	**397**
Tenancy Compliance	201	0	0	**201**
Commissioned Services	1,210	(687)	6,543	**7,066**
Total	**15,521**	**(2,335)**	**14,309**	**27,495**

5.0 Capital Strategy

5.1 The approved Homelessness capital programme is detailed in the Council's Capital Strategy report, which is included in the suite of budget reports submitted to the Executive and Council. The Capital Strategy also includes details on potential future capital investment which has been identified, and which is expected to be brought forward in the medium term.

5.2 The revenue implications of any approved capital projects have been incorporated into the revenue budget. Before any of the potential investment priorities are approved, the revenue implications of the investment will be reviewed and agreed as part of the approval process.

6.0 Workforce Impact

6.1 The framework for how the Council supports its workforce is set out in the People Strategy. The development of the service workforce and the *Our Ways of Working* approach has been supported through a programme of activity that includes building rapport, Our Manchester context, introduction to strengths, and the Our Manchester behaviours.

6.2 Key elements of improved and increased service delivery within Homelessness have been reliant on time limited funding and therefore temporary posts. Previous proposals to put in place funding to enable a permanent staffing structure implemented in April 2020.

6.3 Working to move the service from a 'developing' to 'maturing' Our Manchester approach across all areas will be extremely challenging in regard to the capacity of the service and managers in light of the level of savings facing the service. The increased demand likely to be placed upon Homelessness Services as recession deepens, set against the need to deliver savings and the resultant reduced service offer as a result of budget reductions within the sector, both in-house and within Commissioned Homelessness Services, will undoubtedly impact upon the workforce's ability to further develop their approach and behaviours to delivering services; supporting citizens to develop personal resilience and break the cycle of poverty and homelessness.

6.4 Current savings proposals for Homelessness which would contribute to the £50m 'least worst' option for the Council would result in an FTE reduction of 7 FTE.

7.0 Quality, Diversity and Inclusion

7.1 The Homelessness Service works with some of Manchester's most diverse communities. The significant increase in the numbers of households who are homeless in Manchester in recent years has had an impact on our communities, residents and customers. The roll-out of Universal Credit and the Homelessness Reduction Act have made this even more challenging. Despite this, the Homelessness Service is committed to supporting the council's equality objectives and continues to make progress in a number of areas. As stated above, the service continues to develop a co-production approach with the aim of engaging with, and understanding, the people using services and developing strong links with statutory and voluntary sector partners. This includes working with partners to share knowledge and understand the impact of big changes within the city on different communities. The service will work closely with partners to help people who are homeless into volunteering and subsequently employment. Alongside this, the service will continue to promote the diversity of Manchester residents, making use of communication channels and partners to celebrate Manchester's diverse communities.

7.2 The Homelessness Service is committed to understanding and addressing the effects and impacts of its activities for the diverse range of people using the service. To achieve this, we are committed to undertaking equality analysis of our new or altered functions, to ensure they are accessible and inclusive and do not cause adverse equality impacts. The service will use the Council's Equality Impact Assessment framework to do this.

7.3 We will continue to ensure that the Council meets its obligations under the Public Sector Equality Duty, building on our successes at fostering good relations between Manchester's communities of identity and maintaining fair and equal access to Council functions. Through ongoing customer monitoring, satisfaction and engagement approaches, we will strengthen and utilise our growing evidence bases at both Corporate and Directorate levels to identify the differential experiences of individual identity groups in Manchester accessing Council services, and proactively respond to make these as fair and equitable as possible.

8.0 Risk Management

8.1 The Directorate will seek to manage all expenditure within the approved budget available and performance against budgets will be monitored and reported to members on a regular basis, this will include a risk register with any mitigations identified.

9.0 Legal

9.1 There are no legal implications arising from this report.

10.0 Consultation

10.1 A public consultation is currently underway asking residents for their views on the Council's 2021/22 budget savings options. The consultation opened on 20 January 2021 and runs for a period of four weeks, closing on 21 February 2021. In addition to promotion via the Council's website, social media channels and e-bulletins, a consultation toolkit has been shared with community partners, voluntary and community sector partners, Councillors and key stakeholders to ensure that the consultation is promoted widely within our communities.

The consultation can be found at www.manchester.gov.uk/budget. The results will be shared at the Budget Resource & Governance Scrutiny Committee on 1 March 2021.

11.0 Our Corporate Plan and Council Business Plan

11.1 Our Corporate Plan describes the Council's contribution over the next 2-3 years to delivering the Our Manchester Strategy 2015-2025. These priorities have been refreshed for 2021-22 to align with the reset of the Our Manchester Strategy and to further strengthen the council and city-wide focus on the importance of Equality, Diversity and Inclusion. The plan also reflects the priorities for the council's internal transformation including new work on the Future Shape of the Council that will support the delivery of future budget savings and managing pressures.

11.2 Our Corporate Plan themes and revised priorities are set out in the table 4 below:

Theme	Priority
1. 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*	Support the citywide Climate Change Framework 2020-25 including the Council's roles in reducing citywide CO_2 emissions and improving air quality
	Deliver activities to reduce the Council's own direct CO_2 emissions by at least 50% by 2025, as set out in the Manchester Climate Change Action Plan 2020-25
2. Growth that benefits everyone *Boost the city's productivity and create a more inclusive economy that all residents participate in and benefit from, and contributing to reductions in family poverty, as set out in the Our Manchester Industrial Strategy*	Deliver the Economic Recovery Plan, supporting the delivery of key growth schemes and the protection and creation of good-quality jobs for residents, enhancing skills, and effective pathways into those jobs. Includes support to Manchester's businesses and residents affected by challenges to the international, national and local economy.
	Facilitate economic growth and recovery in different sectors of the economy, which supports the creation of a more inclusive economy.
	Support residents in order to mitigate the impact of poverty and take actions to reduce the number of people experiencing poverty, in particular given the effects of COVID-19. Including young people, older people, BAME groups and people with disabilities
3. Young people *From day one, support Manchester's children to be safe, happy, healthy and*	All children to have access to a high-quality education, which is provided in an inclusive way. Children's school attendance to be achieved and sustained at or better than historic levels.

successful, fulfilling their potential, and making sure they attend a school graded 'good' or better	Support more Manchester children to have the best possible start in life and be ready for school and adulthood. This includes ensuring that the voice of children and young people is heard, and that they have access to youth, play, leisure, and cultural opportunities.
	Reduce number of children needing a statutory service.
4. 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*	Take actions to improve population health outcomes and tackle health inequalities across the city.
	Support the next phase of health and social care integration in the city, including plans to supercharge Manchester Local Care Organisation.
	Enable delivery through the MLCO of the Adult Social Care transformation programme – 'Better Outcomes, Better Lives' – focused on taking a strengths-based approach, supporting independence, building on the ASC improvement programme and embedding this into the MLCO Operating Model.
	Reduce the number of people becoming homeless and enable better housing and better outcomes for those who are homeless
5. Housing *Ensure delivery of the right mix of good-quality housing so that Mancunians have a good choice of quality homes*	Support delivery of significant new housing in the city, including through an effective recovery from COVID-19.
	Ensure inclusive access to housing by the provision of enough safe, secure and affordable homes for those on low and average incomes. This includes strategically joining up provision, and the improved service to residents enabled by direct control of Council owned housing in the north of the city.
6. Neighbourhoods *Work with our city's communities to create and maintain clean and vibrant neighbourhoods that Mancunians can be proud of*	Enable all our diverse neighbourhoods to be clean, safe and vibrant.
	Embed neighbourhood working across the whole Council and our partners, and deliver services closer to residents.
7. 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, whilst increasing walking and cycling.
	Facilitate the development of the city's digital infrastructure, to enable delivery of transformed public services and a more economically inclusive and resilient city.
8. Equality *Deliver on our equality, diversity, and inclusion*	Work together with Manchester's citizens and our partners to understand our diverse communities, improve life chances, and celebrate diversity.

commitments to support Manchester's vision to be a progressive and equitable city.	As an employer, ensure a fair and inclusive working environment which recognises, values and responds to the dynamics and opportunities of a diverse workforce.
9. Well-managed council *Support our people to be the best and make the most of our resources*	Delivery of the Future Shape of the Council change programmes, along with budget reductions and savings.
	Effectively manage our resources, via budget management and planning, support to managers and performance management.
	Carry out the work required to transform our Corporate Core.

11.3 Our Council Business Plan 2021/22 describes in more detail the action we are taking to deliver our corporate plan this year. It is supported by our wider strategic framework including Our People Strategy and Our ICT Strategy. These budget proposals are also aligned to our Business Plan to ensure the priorities will be achieved.

12.0 Conclusion

12.1 The budget strategy provides information on the work that has been undertaken and is ongoing within the directorate to both ensure that we are able to meet the existing budget pressures, whilst also contributing savings towards the wider council budgets.

12.2 The proposed revenue budget for 2021/22 is a one year budget which is aligned to both the Governments one year budget settlement and the Council one year budget proposals.

12.3 The budget proposals in this report reflect the initial feedback from the January round of scrutiny meetings and following February scrutiny meetings updated final budget proposals will be submitted to Executive on February 17 for approval.

13.0 Recommendations

13.1 The recommendations appear at the front of this report.

Appendix 1

Subjective Heading	2020/2021 Budget £'000	2021/2022 Indicative Budget £'000
Expenditure:		
Employees	11,198	10,950
Running Expenses	28,809	45,137
Capital Financing Costs	0	0
Contribution to reserves	0	0
Total Subjective Expenditure	**40,007**	**56,087**
Less:		
Other Internal sales		
Gross Expenditure	**0**	**0**
Income:		
Government Grants	(3,286)	(4,009)
Contributions from Reserves	0	(1,620)
Other Grants Reimbursements and Contributions	0	(1,763)
Customer and Client Receipts	(21,200)	(21,200)
Other Income	0	0
Total Net Budget	**15,521**	**27,495**

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Manchester City Council
Report for Resolution

Report to: Economy Scrutiny Committee – 11 February 2021
Executive – 17 February 2021

Subject: Growth and Development Directorate Budget Report 2021/22

Report of: Strategic Director Growth & Development

Summary

As a result of the COVID-19 Pandemic there has been additional demand for services and reductions to Council's income (as set out in the global monitoring report to Executive 17 Feb 2021). This left the Council facing a significant budget gap for 2021/22 onwards. Funding announcements in the government's spending review on 25 November and provisional local government finance settlement on 17 December mean the Council will not be facing the worst-case scenario for 2021/22, (which was a shortfall of around £100m). The government settlement assumes eligible Councils will increase Council Tax by 3%, for the Adult Social Care precept. After accounting for additional Adult Social care funding through both additional precepts and grant the revised savings proposals from all Directorates total £41m.

This report provides an updated Growth and Development 2021/22 budget and sets out the 2021/22 savings proposals which reflects any feedback from both the November and January Scrutiny committees. The report contains relevant content from the Council's overarching Business Plan report.

Recommendations

The Committee is asked to consider and make comments on the savings proposals identified prior to being considered by Executive 17 February 2021.

The Executive is recommended to approve these budget proposals.

Wards Affected: All

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	Providing the leadership and focus for the sustainable growth and transformation of the City's neighbourhoods and highways
A highly skilled city: world class and home-grown talent sustaining the city's economic success	Ensuring residents are connected to education and employment opportunities across the City.
A progressive and equitable city: making a positive contribution by	Creating places where residents actively demonstrate the principles of Our Manchester

unlocking the potential of our communities	through participation and take responsibility for themselves and their community whilst encouraging others to do the same, supported by strong and active community groups.
A liveable and low carbon city: a destination of choice to live, visit, work	Creating places where people want to live with good quality housing of different tenures and effective use of the highways network; clean, green, safe, healthy and inclusive neighbourhoods; a good social, economic, cultural offer and environmental infrastructure.
A connected city: world class infrastructure and connectivity to drive growth	Ensuring residents, neighbourhoods, businesses and goods connect to local, national and international markets. Through working with partners both internally and externally maximise the impact of the provision of new and enhanced physical and digital infrastructure.

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

- Equal Opportunities
- Risk Management
- Legal Considerations

Financial Consequences Revenue

The proposals set out in this report will be considered as part of the City Council preparation of the 2021/22 budget which will be submitted to the Executive on 17 February 2021.

Financial Consequences – Capital

There is already an approved capital investment programme for the Directorate, and some capital investment is required to assist in delivering some of the currently identified proposals included within this report.

Contact Officers:

Name: Louise Wyman
Position: Strategic Director Growth and Development
Telephone: 0161 234 5515
Email: Louise.wyman@Manchester.gov.uk

Name: Paul Hindle
Position: Head of Finance
Telephone: 0161 234 3025
E-mail: paul.hindle@Manchester.gov.uk

Background documents (available for public inspection):

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

Growth and Development Directorate Budget 2020/21 - Executive 12 February 2020
Growth and Development Budget Options 2021/22 – Executive 11 November 2020
Growth and Development 2021/22 Budget Proposals – Executive 20 January 2021

1. Introduction

1.1 This report should be read in conjunction with the covering City Council budget report and sets out the budget reductions proposed to support the work required to deliver a balanced budget in 2021/22.

1.2 Following on from previous Scrutiny Committees, all Directorates have continued to develop and work through the budget proposals, and this work has taken into consideration the feedback from the two previous scrutiny committee meetings. Original Directorate savings proposals totalled c.£50m, but after accounting for additional Adult Social care funding through both additional precepts and grants the revised savings proposals from all Directorates total around c.£41m. Wherever possible consideration has been given to protecting front line services in order to protect the capacity to support the recovery planning.

1.3 The Growth & Development Directorate has identified proposed budget reductions of c. £2.314m. This would require a reduction of c22 full time equivalent (FTE) posts. Due to lead in time around required investments and timing on the ability to exit some contracts/leases, the £2.314m would be phased over the period 2021/22- 2024/25, with an initial £2.024m being delivered in 2021/22.

1.4 The proposals identified total £0.733m and requires a reduction of 11fte's, further details on these proposals are included in section 3 of this report.

1.5 As part of identifying the proposed budget reductions consideration has been given to minimising the impact on both other Council services and residents, although this has not always possible. The feedback from the earlier Scrutiny meetings and Executive has been taken into account in developing the proposed budget.

2. Growth and Development Directorate Background and Context

2.1 The Growth and Development Directorate ("Directorate") has a pivotal role in driving the sustainable economic growth of the city that benefits everyone. They achieve this by securing new commercial development, attracting inward investment, generating employment growth across the city, and also supporting businesses and communities to thrive. The directorate has the leading role in the economic recovery of the City following the decline due to Covid-19. The Directorate is delivering the City Council's Residential Growth Strategy which underpins the city's economic growth trajectory. The management of the City Council's land and property assets to promote growth is closely aligned with the management of the City Council's operational and investment estates. The planning, building control and licensing functions further enhance the strategic planning and place shaping function.

2.2 The Work and Skills and Adult Education services ensure that Manchester residents directly benefit from the economic growth and development of the city and associated jobs creation. The Directorate also works with a range of stakeholders to enable people to better support their children's learning, fulfilling their potential and to be active citizens contributing in their communities. For an increasing number of residents, this means support to manage the impact of welfare reform and transition to universal credit.

2.3 The Directorate has the central role in ensuring the delivery of the right mix of affordable housing for Manchester residents to have a good choice of safe and secure homes. We will accelerate and sustain the delivery of more housing, including enough which is affordable for our residents on low and average incomes and will intervene, where necessary, to speed up the delivery of housing across the city, including developing homes ourselves.

2.4 As part of ensuring residents have a good choice of safe and secure homes the Directorate will play a fundamental part in ensuring a smooth transition to the bringing back in house of the ALMO.

2.5 The Directorate also works directly with colleagues in the Neighbourhood Directorate in the planning and delivery of new neighbourhoods making sure these meet the needs of our diverse and complex communities. We work proactively in partnership with businesses, residents and partners to make sure our developments meet local needs to deliver neighbourhoods people want to live in and are designed to enable quality neighbourhood management services (such as waste collections and recycling).

2.6 Supporting Manchester's commitment to be a zero carbon city by 2038 is a priority for the directorate by reducing the Council's direct CO2 emissions through continued rationalisation of the operational building estate and improving energy efficiency in council owned buildings. The Directorate will also use its influence and leadership role across the city to encourage others to reduce CO2 emissions in industry, commercial and residential sectors through developing planning policy and influencing contractors through procurement and commissioning arrangements.

2.7 The Directorate strives to be well managed, to balance our budgets and to provide additional efficiencies and increase income from the Council's property portfolio to help underpin the council's budget.

3. Growth and Development Revenue Budget Strategy

3.1 The Growth and Development Directorate has a gross budget of c.£65.2m, and a net budget of c.£9.9m, with 650.4fte's. The breakdown by service area is provided in the table below:

Table 1: 2020/21 base budget

Service Area	2020/21 Gross Budget £'000	2020/21 Net Budget £'000	2020/21 Budgeted Posts (FTE) £'000
Operational Property	12,061	8,145	35.8
Facilities Management	14,943	9,687	176.0
Investment Estate	8,198	-11,904	28.8
Growth & Development	397	164	2.6
City Centre Growth and Infrastructure	2,141	1,234	25.8
Housing & Residential Growth	5,376	1,445	34.9
Planning, Building Control & Licensing	7,442	-588	133.1
Work & Skills	1,891	1,773	25.6
MAES	10,389	0	182.0
Our Town Hall Project	2,385	0	5.8
Grand Total	**65,223**	**9,956**	**650.4**

3.2 The 2020/21 cash limit budget is £9.956m and this is net of the £0.690m savings that were approved as part of the 2020/21 budget process.

Current In year forecast Position at December 20 (Period 9)

3.3 As at December 2020 the Directorate is forecasting a net overspend of £2.965m, this includes Covid-19 related pressures of £5.527m, offset by in year mitigation of £2.562m.

3.4 The Covid-19 pressures are made up of a combination of £4.523m reductions in income and increased cost pressures of £0.992m. The main loss of income has arisen within the Investment estate due to tenants not being in a position to pay their rents because their business has been impacted by Covid-19. In the majority of cases any support has been provided in the form of deferment of rent, rather than write off. This is in order to support businesses with cash flow, whilst also seeking to protect the Council overall position although the level of bad debts is likely to increase.

3.5 In addition to the income reductions, there have been increased costs with the main costs being in respect of supporting the Corporate response to supporting the City’s most vulnerable residents with food support as part of the Community Hub during the Covid-19 crisis, this is forecast to cost net c.£0.783m in the current financial year.

3.6 As part of the ongoing work seeking to mitigate the above pressures in year forecast savings of £2.562m have already been identified, this is largely due to staff savings because of vacant posts and reduced running costs across all services.

3.7 The subjective budget breakdown for the Growth and Development Directorate is provided at Appendix 1.

3.8 As set out above this report sets out a one year budget for 2021/22, however the longer term implications have been considered and these are considered in the Council's medium term financial planning.

2021/22 Savings Proposals

3.9 In response to the identified Council wide budget gap all budgets have been reviewed and the proposed Growth and Development identified savings equate to an initial **£2m** in 2021/22 increasing to **£2.3m** by 2024/25, although this does require a 22fte reduction across the Directorate. This report sets out the proposals, and these **total £0.733m and include a reduction of 11fte's.** Further details of the proposals are set out in more detail below whilst table 2 provides a summary table.

Proposed Savings

3.10 ***Housing and Residential Growth - £190k,*** growth agenda continues to be a Priority and current work streams include the establishment of the Housing development vehicle, review of the housing ALMO, and ongoing development including increasing the supply of both affordable social housing and private housing.

3.11 In light of the above, savings of £190k having been identified through increased rental income from a recently completed development. These properties were occupied in 2020/21 and so 2021/22 will realise the full year benefit and the income will increase year on year as rent levels increase.

3.12 ***Planning, Building Control and Licensing - £393k -11fte,*** the service operates on a fee recovery basis, and there are certain ring fencing arrangements in place around how the fee income can be utilised. There are elements of the service that are statutory functions and any cuts have considered these statutory functions.

3.13 The service currently have 11 long term vacant posts. The service are about to undertake a redesign to develop a fit for future structure with built in career paths and succession planning. It is expected that there will be some savings arising from the new structure which will enable a number of posts to be deleted and include a review of likely fee income levels. Consideration to the filling of any vacant posts will be made taking account of the ability to generate income. If following the conclusion of the staffing review, a permanent £393k saving is not achievable, then the Strategic Director will identify alternative savings options and this will be addressed as part of the 2022/23 budget process.

3.14 ***Work and Skills - £150k –*** through a reduction in the commissioning budget which will require ending the City Council support to My Future ILM. This has been done in the context of the Government announcement of the Kickstart scheme, as a major national programme that gives employers a wage subsidy to employ unemployed young people aged 16 to 24. While it doesn't have some of the features of My Future ILM in terms of wrap around support, it is very large scale with the potential to offer many more opportunities for young people in the City.

3.15 Both the above savings proposals will reduce the level of resources available within the Directorate and will impact on the team's ability to respond to the unemployment crisis and contribute to Manchester's economic recovery. It will mean some areas of work will cease, such as sector based work, and reduce the team's ability to coordinate skills, training and employment support offered at a local level.

Other Budget Changes.

3.16 Due to the likely ongoing impacts of the Covid pandemic, it is anticipated that there will be an ongoing impact in respect of income generation, and the following one off adjustments have been made to mitigate loss of income in 2021/22.

3.17 In 2020/21 planning applications have continued to hold up despite the impacts of Covid, it was always anticipated that any likely impacts on developments would be towards the end of 20200/21 and into 2021/22. To reflect the likely reduction in fee income a one off adjustment to the income budget. This increase will be partially mitigated through ongoing Government support through the sales fees and charges return which has currently been extended into quarter 1 of 2021/22. The income position will be retained under review

3.18 There is also likely to be a downturn in the income received within the investment estate, this will be in the form of reduced rents, and in particular any investment income from across the property portfolio. A one off adjustment of £2.999m has been provided for as part of the budget. As this is classified as Commercial income it will not be supported through the sales fees and charges submission.

3.19 As part of the 2020/21 budget a one off £1m investment was approved to support the Carbon Reduction Delivery Plan and an adjustment has been made to remove this budget in 2021/22. The initial increase was funded through the Capital Fund to spend over 2020/21 and 2021/22 and any unutilised resources in the current financial year will be available to draw down in 2021/22 to support ongoing initiatives.

3.20 £2m funding has been allocated to provide resources to support the proposed capital works on St Johns Public Realm, this will include the creation of two new public squares and other public realm works. This increase was approved by Executive June 2020.

3.21 Initial one off funding of £100k from the housing investment reserve was provided in 2020/21 to support the ongoing work to develop the local delivery vehicle model and this comes out in 2021/22, although with the work now progressing an additional £1.5m from the housing investment reserve was approved by Executive in June 2020 to support the next phase of the development.

3.22 Table 2 below is a summary table of the Directorate savings proposals broken down by service area and includes the FTE impact. Whilst table 3 shows the overall change in budgets broken down by service area.

Table 2: Savings Proposals

Service Area	Description of Saving	Type of Saving	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	Total £'000	FTE's
Planning, Licensing & Building Control	Hold 11 vacant posts	Reduction	393				393	11
Housing & Residential Growth	Additional income from housing redevelopment	Income	190				190	
Work & Skills	Reduction in commissioning activity	Reduction	150				150	
Total			**733**				**733**	**11**

Table 3: Proposed Directorate budget 2021/22 - Approved MTFP

Service Area	2020/21 Net Budget £'000	Approved savings £'000	Investment and other changes £'000	2021/22 Net Budget £'000
City Centre Regen	1,234		2,000	**3,234**
Strategic Development	164			**164**
Facilities Management	9,687	(270)		**9,417**
Housing and Residential Growth	1,445	(190)	(100)	**1,155**
Operational Property	8,145	(646)	(1,000)	**6,499**
Planning, Building Control and Licensing	(588)	(393)	751	**(230)**
Investment Estate	(11,904)	(375)	2,999	**(9,280)**
Work and Skills and MAES	1,773	(150)		**1,623**
Total	**9,956**	**(2,024)**	**4,650**	**12,582**

4. Capital strategy

4.1 The approved Growth and Development Directorate capital programme is detailed in the Council's Capital Strategy report, which is included in the suite of budget reports submitted to the Executive and Council. The Capital Strategy also includes details on potential future capital investment which has been identified, and which is expected to be brought forward in the medium term.

4.2 The revenue implications of any approved capital projects have been incorporated into the revenue budget. Before any of the potential investment priorities are approved, the revenue implications of the investment will be reviewed and agreed as part of the approval process.

5. Workforce Implications

5.1 The City Council is seeking to avoid compulsory redundancies, and the workforce implications related to the proposals included in this report require 11 current vacant posts to be held pending a redesign. The redesign will look to ensure a fit for future structure with built in career paths and succession planning and the overall staffing requirements will be determined based on the forecast likely fee income levels.

5.2 To support the workforce reductions a time limited targeted Voluntary efficiency scheme was opened, and this closed on 11 December.

5.3 Consultations have started with the Trade Unions on the MPeople processes to ensure that the Council does not lose the focus on providing support for our workforce to develop and progress and where relevant to reskill into different roles with a view to focussing on giving excellent support to those at risk of redundancy in finding suitable alternative employment.

6. Equality Diversity and Inclusion

6.1 We will continue to ensure that the Council meets its obligations under the Public Sector Equality Duty, building on our successes at fostering good relations between Manchester’s communities of identity and maintaining fair and equal access to Council functions. Through ongoing customer monitoring, satisfaction and engagement approaches, we will strengthen and utilise our growing evidence bases within the Directorate to identify the differential experiences of individual identity groups in Manchester accessing Council services, and proactively respond to make these as fair and equitable as possible.

6.2 Growth and Development is committed to understanding and addressing the effects and impacts of its activities for the diverse range of people using its services. To achieve this, we are committed to undertaking equality analysis of the proposed changed services to ensure they are accessible and inclusive, and do not cause adverse equality impacts. Growth and Development will use the Council’s Equality Impact framework to do this.

7. Risk management

7.1 The Directorate will seek to manage all expenditure within the approved budget available and performance against budgets will be monitored and reported to members on a regular basis, this will include a risk register with any mitigations identified.

8. Legal

8.1 There are no legal implications arising from this report.

9. Consultation

9.1 A public consultation is currently underway asking residents for their views on the Council's 2021/22 budget savings options. The consultation opened on 20 January 2021 and runs for a period of four weeks, closing on 21 February 2021. In addition to promotion via the Council's website, social media channels and e-bulletins, a consultation toolkit has been shared with community partners, voluntary and community sector partners, Councillors and key stakeholders to ensure that the consultation is promoted widely within our communities.

9.2 The consultation can be found at www.manchester.gov.uk/budget. The results will be shared at the Budget Resource & Governance Scrutiny Committee on 1 March 2021.

10. Our Corporate Plan and Council Business Plan

10.1 Our Corporate Plan describes the Council's contribution over the next 2-3 years to delivering the Our Manchester Strategy 2015-2025. These priorities have been refreshed for 2021-22 to align with the reset of the Our Manchester Strategy and to further strengthen the council and city-wide focus on the importance of Equality, Diversity and Inclusion.

10.2 These budget proposals are aligned to our Corporate Plan to ensure the priorities will be achieved. Our Corporate Plan themes and revised priorities are set out in table 4 below:

Table 4: Corporate Plan Themes and Priorities

Theme	Priority
1. 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*	Support the citywide Climate Change Framework 2020-25 including the Council's roles in reducing citywide CO_2 emissions and improving air quality
	Deliver activities to reduce the Council's own direct CO_2 emissions by at least 50% by 2025, as set out in the Manchester Climate Change Action Plan 2020-25
2. Growth that benefits everyone *Boost the city's productivity and create a more inclusive economy that all residents participate in and benefit from, and contributing to reductions*	Deliver the Economic Recovery Plan, supporting the delivery of key growth schemes and the protection and creation of good-quality jobs for residents, enhancing skills, and effective pathways into those jobs. Includes support to Manchester's businesses and residents affected by challenges to the international, national and local economy.

in family poverty, as set out in the Our Manchester Industrial Strategy	Facilitate economic growth and recovery in different sectors of the economy, which supports the creation of a more inclusive economy.
	Support residents in order to mitigate the impact of poverty and take actions to reduce the number of people experiencing poverty, in particular given the effects of COVID-19. Including young people, older people, BAME groups and people with disabilities
3. 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*	All children to have access to a high-quality education, which is provided in an inclusive way. Children's school attendance to be achieved and sustained at or better than historic levels.
	Support more Manchester children to have the best possible start in life and be ready for school and adulthood. This includes ensuring that the voice of children and young people is heard, and that they have access to youth, play, leisure, and cultural opportunities.
	Reduce number of children needing a statutory service.
4. 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*	Take actions to improve population health outcomes and tackle health inequalities across the city.
	Support the next phase of health and social care integration in the city, including plans to supercharge Manchester Local Care Organisation.
	Enable delivery through the MLCO of the Adult Social Care transformation programme – 'Better Outcomes, Better Lives' – focused on taking a strengths-based approach, supporting independence, building on the ASC improvement programme and embedding this into the MLCO Operating Model.
	Reduce the number of people becoming homeless and enable better housing and better outcomes for those who are homeless
5. Housing *Ensure delivery of the right mix of good-quality housing so that Mancunians have a good choice of quality homes*	Support delivery of significant new housing in the city, including through an effective recovery from COVID-19.
	Ensure inclusive access to housing by the provision of enough safe, secure and affordable homes for those on low and average incomes. This includes strategically joining up provision, and the improved service to residents enabled by direct control of Council owned housing in the north of the city.
6. Neighbourhoods *Work with our city's communities to create and maintain clean and vibrant*	Enable all our diverse neighbourhoods to be clean, safe and vibrant.
	Embed neighbourhood working across the whole Council and our partners, and deliver services closer to residents.

neighbourhoods that Mancunians can be proud of	
7. 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, whilst increasing walking and cycling.
	Facilitate the development of the city's digital infrastructure, to enable delivery of transformed public services and a more economically inclusive and resilient city.
8. Equality *Deliver on our equality, diversity, and inclusion commitments to support Manchester's vision to be a progressive and equitable city.*	Work together with Manchester's citizens and our partners to understand our diverse communities, improve life chances, and celebrate diversity.
	As an employer, ensure a fair and inclusive working environment which recognises, values and responds to the dynamics and opportunities of a diverse workforce.
9. Well-managed council *Support our people to be the best and make the most of our resources*	Development of the future shape of the Council, along with budget reductions and savings.
	Effectively manage our resources, via budget management and planning, support to managers and performance management.
	Carry out the work required to transform our Corporate Core.

11. Conclusion

11.1 The Council continues to face a period of significant change and there are Increased demands for services alongside the need to make budget cuts. The budget strategy provides Members with details of the work that has been undertaken, and is ongoing within the Growth and Development to ensure we are able to continue to support delivery of Council priorities.

11.2 The proposed revenue budget for 2021/22 is a one year budget which is aligned to both the Governments one year budget settlement and the Councils one year budget proposals

11.3 The Directorate budget proposals in this report have been refined following feedback from both the November and January Scrutiny Committees.

Appendix 1 - Subjective budget breakdown for the Growth and Development Directorate

Subjective Heading	2020/2021 Budget £000	2021/2022 Indicative Budget £000
Expenditure:		
Employees	25,541	24,842
Running Expenses	38,760	38,900
Capital Financing Costs	1,973	1,973
Contribution to reserves		0
Total Subjective Expenditure	**66,274**	**65,715**
Less:		
Other Internal sales	-7,207	-7,207
Gross Expenditure	**59,067**	**58,508**
Income:		
Government Grants	-9,162	-9,162
Contributions from Reserves	-8,817	-8,817
Other Grants Reimbursements and Contributions	-74	-74
Customer and Client Receipts	-31,057	-27,872
Other Income	-1	-1
Total Net Budget	**9,956**	**12,582**

Manchester City Council
Report for Resolution

Report to: Resources and Governance Scrutiny Committee – 9 February 2021
Executive – 17 February 2021

Subject: Corporate Core Budget Report 2021/22

Report of: Deputy Chief Executive and City Treasurer and City Solicitor.

Summary

As a result of the COVID-19 Pandemic there has been additional demand for services and reductions to Council's income (as set out in the global monitoring report to Executive 17 Feb 2021). This left the Council facing a significant budget gap for 2021/22 onwards. Funding announcements in the government's spending review on 25 November and provisional local government finance settlement on 17 December mean the Council will not be facing the worst-case scenario for 2021/22, (which was a shortfall of around £100m). The government settlement assumes eligible Councils will increase Council Tax by 3%, for the Adult Social Care precept. After accounting for additional Adult Social care funding through both additional precepts and grant the revised savings proposals from all Directorates total £41m.

This report provides an updated Corporate Core 2021/22 budget and sets out the 2021/22 savings proposals which reflect any feedback from both the November and January Scrutiny committees. The report contains relevant content from the Council's overarching Business Plan report.

Recommendations

The Committee and the Executive are each invited to review and comment on the directorate budget report.

The Executive is recommended to approve these budget proposals.

Wards Affected: All

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	Providing the leadership and focus for the sustainable growth and transformation of the City's neighbourhoods and highways
A highly skilled city: world class and home-grown talent sustaining the city's economic success	Ensuring residents are connected to education and employment opportunities across the City.
A progressive and equitable city: making a positive contribution by	Creating places where residents actively demonstrate the principles of Our Manchester

unlocking the potential of our communities	through participation and take responsibility for themselves and their community whilst encouraging others to do the same, supported by strong and active community groups.
A liveable and low carbon city: a destination of choice to live, visit, work	Creating places where people want to live with good quality housing of different tenures and effective use of the highways network; clean, green, safe, healthy and inclusive neighbourhoods; a good social, economic, cultural offer and environmental infrastructure.
A connected city: world class infrastructure and connectivity to drive growth	Ensuring residents, neighbourhoods, businesses and goods connect to local, national and international markets. Through working with partners both internally and externally maximise the impact of the provision of new and enhanced physical and digital infrastructure.

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

- Equal Opportunities
- Risk Management
- Legal Considerations

Financial Consequences Revenue

The proposals set out in this report will be considered as part of the City Council preparation of the 2021/22 budget which will be submitted to the Executive on 17 February 2021.

Financial Consequences – Capital

There is already an approved capital investment programme for the Directorate, and some capital investment is required to assist in delivering some of the currently identified proposals included within this report.

Contact Officers:

Name: Carol Culley
Position: Deputy Chief Executive & City Treasurer
Telephone: 0161 234 3406
Email: carol.culley@manchester.gov.uk

Name: Fiona Ledden
Position: City Solicitor
Telephone: 0161 234 3087
Email: Fiona.leddon@manchester.gov.uk

Name: Paul Hindle
Position: Head of Finance
Telephone: 0161 234 3025
E-mail: Paul.hindle@manchester.gov.uk

Background documents (available for public inspection):

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

Corporate Core Budget 2020/21 - Executive 12 February 2020
Corporate Core 2021/22 Budget Options – Executive 11 November 2020
Corporate Core 2021/22 Budget Proposals – Executive 20 January 2021

1 Introduction

1.1 This report should be read in conjunction with the covering City Council budget report and sets out the budget reductions proposed to support the work required to deliver a balanced budget in 2021/22.

1.2 Following on from previous Scrutiny Committees, all Directorates have continued to develop and work through the budget proposals, and this work has taken into consideration the feedback from the two previous scrutiny committee meetings. Original Directorate savings proposals totalled c.£50m, but after accounting for additional Adult Social care funding through both additional precepts and grants the revised savings proposals from all Directorates total around c.£41m. Wherever possible consideration has been given to protecting front line services in order to protect the capacity to support the recovery planning. Inevitably this means a larger proportion of savings falling on the Corporate Core which will have a significant impact on Core capacity at the time the Council most needs it.

1.3 Currently the Core has identified proposed budget reductions of £6.281m, and this requires a reduction of c.115.1ftes. As part of advance preparation for the proposed budget reductions and the need to reduce staff numbers, services have not been recruiting unless the post is essential and there are currently c.54 vacancies earmarked as contributing towards the overall reduction.

1.4 The report also includes those areas of service which are within the remit of Resources and Governance Scrutiny Committee but not within the Corporate Core, namely operational property, facilities management, the investment estate from Growth and Development, business units and Commercial operations from Neighbourhoods Directorate. Details of the proposals within these areas are set out in section 5 of this report.

1.5 As part of identifying the proposed budget reductions consideration has been given to minimising the impact on both other Council services and residents, although this has not always possible. The feedback from the earlier Scrutiny meetings and Executive has been taken into account in developing the proposed budget.

2 Strategic Context

2.1 The priorities for the Council for 2021/22 and beyond are framed in the Our Manchester Strategy which was recently reset with the updated Strategy forming the overarching document to the suite of budget reports.

2.2 Our Corporate Plan describes the Council’s contribution over the next 2-3 years to delivering the Our Manchester Strategy 2015-2025. These priorities have been refreshed for 2021-22 to align with the reset of the Our Manchester Strategy and to further strengthen the Council and city-wide focus on the importance of Equality, Diversity and Inclusion. The plan also reflects the priorities for the Council's internal transformation that will support the delivery of future budget savings and managing pressures.

2.3 These budget proposals are aligned to our Corporate Plan to ensure the priorities will be achieved. Our Corporate Plan themes and revised priorities are set out in the table below:

Theme	Priority
1. 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*	Support the citywide Climate Change Framework 2020-25 including the Council's roles in reducing citywide CO_2 emissions and improving air quality
	Deliver activities to reduce the Council's own direct CO_2 emissions by at least 50% by 2025, as set out in the Manchester Climate Change Action Plan 2020-25
2. Growth that benefits everyone *Boost the city's productivity and create a more inclusive economy that all residents participate in and benefit from, and contributing to reductions in family poverty, as set out in the Our Manchester Industrial Strategy*	Deliver the Economic Recovery Plan, supporting the delivery of key growth schemes and the protection and creation of good-quality jobs for residents, enhancing skills, and effective pathways into those jobs. Includes support to Manchester's businesses and residents affected by challenges to the international, national and local economy.
	Facilitate economic growth and recovery in different sectors of the economy, which supports the creation of a more inclusive economy.
	Support residents in order to mitigate the impact of poverty and take actions to reduce the number of people experiencing poverty, in particular given the effects of COVID-19. Including young people, older people, BAME groups and people with disabilities
3. 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*	All children to have access to a high-quality education, which is provided in an inclusive way. Children's school attendance to be achieved and sustained at or better than historic levels.
	Support more Manchester children to have the best possible start in life and be ready for school and adulthood. This includes ensuring that the voice of children and young people is heard, and that they have access to youth, play, leisure, and cultural opportunities.
	Reduce number of children needing a statutory service.
4. 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*	Take actions to improve population health outcomes and tackle health inequalities across the city.
	Support the next phase of health and social care integration in the city, including plans to supercharge Manchester Local Care Organisation.
	Enable delivery through the MLCO of the Adult Social Care transformation programme – 'Better Outcomes, Better Lives' – focused on taking a strengths-based approach, supporting independence, building on the ASC improvement programme and embedding this into the MLCO Operating Model.

	Reduce the number of people becoming homeless and enable better housing and better outcomes for those who are homeless
5. Housing *Ensure delivery of the right mix of good-quality housing so that Mancunians have a good choice of quality homes*	Support delivery of significant new housing in the city, including through an effective recovery from COVID-19.
	Ensure inclusive access to housing by the provision of enough safe, secure and affordable homes for those on low and average incomes. This includes strategically joining up provision, and the improved service to residents enabled by direct control of Council owned housing in the north of the city.
6. Neighbourhoods *Work with our city's communities to create and maintain clean and vibrant neighbourhoods that Mancunians can be proud of*	Enable all our diverse neighbourhoods to be clean, safe and vibrant.
	Embed neighbourhood working across the whole Council and our partners, and deliver services closer to residents.
7. 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, whilst increasing walking and cycling.
	Facilitate the development of the city's digital infrastructure, to enable delivery of transformed public services and a more economically inclusive and resilient city.
8. Equality *Deliver on our equality, diversity, and inclusion commitments to support Manchester's vision to be a progressive and equitable city.*	Work together with Manchester's citizens and our partners to understand our diverse communities, improve life chances, and celebrate diversity.
	As an employer, ensure a fair and inclusive working environment which recognises, values and responds to the dynamics and opportunities of a diverse workforce.
9. Well-managed council *Support our people to be the best and make the most of our resources*	Development of the future shape of the Council, along with budget reductions and savings.
	Effectively manage our resources, via budget management and planning, support to managers and performance management.
	Carry out the work required to transform our Corporate Core.

2.4 The Corporate Core will have an important role to play in supporting the Council in some of the major changes that will need to be delivered next year. The next section of this report sets out the role of the Core and the priorities for next year.

3 Corporate Core Directorate Background and Context

3.1 The Corporate Core plays a key role in supporting the delivery of the Our Manchester Strategy and the nine Corporate Plan priorities providing specific support to other parts of the Council. This includes supporting relationships with a wider range of key partners across Manchester, Greater Manchester, nationally and internationally.

3.2 The Corporate Core will have an important role to play in supporting the Council in some of the major changes that will need to be delivered next year. These include:

- Support the delivery of place-based working and reform, including through 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
- Delivery of Our Transformation - the Council-wide portfolio of programmes which has 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
- Leadership for the Council’s action plan to being zero carbon by 2038 at the latest, and support arrangements with partners to meet the city’s ambition to live within the science-based carbon budget and be zero carbon by 2038 at the latest.
- Delivery of the Housing Strategy and the supporting delivery of the recent decision to bring the ALMO back in house

3.3 The Core also has a lead role in delivering our Corporate Plan 'well managed council' theme through providing effective support services such as Capital Programme Delivery, Communications, Financial Management, HROD, Legal Services, Policy Performance and Reform, and Procurement. The priorities in these areas include to:

- Complete the reset of the Our Manchester Strategy.
- Produce a balanced budget in 2021/22 reflecting Member priorities and the Our Manchester reset .
- Co-ordinate and lead Council support to the delivery of the Council’s transformation programme.
- Deliver the ICT strategy, pipeline of key projects and technological enablers
- The provision of data and intelligence to services to enable them to manage performance and outcomes.
- Develop and implement a comprehensive organisational development plan that is owned by leaders in the Council.
- Champion co-production techniques and asset-based approaches to engage more effectively with residents, partners and staff.
- Adapt working environments to make efficient use of the space whilst creating an environment that supports agile working across our estate.
- Develop our existing workforce, including targeted development, so that fair representation at all levels is achieved.

- Deliver key projects including the refurbishment of Hammerstone Road, Gorton Hub, House of Sport and support to the Our Town Hall Project.
- Delivery of the Equalities Strategy and Race Review Action Plan
- Support the Council to deliver all nine corporate plan priorities
- Support the delivery of place-based working and reform through Bringing Services Together for People in Places.

3.4 The Core provides a range of important universal services to residents which include:

- Revenue and Benefits
- Customer Contact Centre
- Shared Service Centre
- Coroners
- Registrars

3.5 The priorities for 2021/22 include:

- Provide effective support and assistance to residents affected by COVID-19, including handling enquiries relating to self-isolation payments.
- Provide high quality help and advice across a range of access channels and supported services, that recognise our residents' strengths and needs. If we cannot help, we will signpost people to the correct organisation.
- Provide the most cost-effective service and this means that where they can, residents should self-serve, via our website or by using modern technology.

3.6 Finally, the Corporate Core has an important role in ensuring effective governance and assurance as well as supporting the Council's democratic role.

4 Corporate Core Revenue Budget Strategy

4.1 The latest 2020/21 Corporate Core gross budget is £308m, with a net budget of £71.2m, with 1,810fte's employees. The breakdown by service area is provided in the table below:

Table 1: 2020/21 base budget

Service Area	**2020/21 Gross Budget** £'000	**2020/21 Net Budget** £'000	**2020/21 Budgeted Posts** (FTE)
Legal Services	13,056	7,129	267
Elections	1,178	1,079	12
Coroners & Registrars	3,691	2,348	53
Executive Office	987	987	13
Communications	4,834	3,371	82
CEX Corporate Items	1,561	545	-

Service Area	2020/21 Gross Budget £'000	2020/21 Net Budget £'000	2020/21 Budgeted Posts (FTE)
Chief Executives Sub Total	**25,307**	**15,459**	**427**
Procurement & Commissioning	1,710	1,414	32
Commercial Governance	332	259	6
Revenue & Benefits	212,386	9,856	324
Financial Management	5,901	5,532	152
ICT	13,791	13,746	161
Human Resources & Organisational Development	4,318	4,091	88
Audit, Risk & Resilience	1,906	1,483	44
Shared Service Centre	1,719	1,132	92
Customer Services	4,288	4,217	175
Policy, Performance & Reform	19,529	14,883	172
Capital Programmes	621	(31)	89
Parking & Bus Lane Enforcement	16,127	(983)	48
Corporate Items	299	226	-
Corporate Services Sub Total	**282,927**	**55,825**	**1,383**
Corporate Core Grand Total	**308,234**	**71,284**	**1,810**

4.2 The current 2020/21 cash limit budget is £71,284 and this is net of the £3.449m savings that were approved as part of the 2020/21 budget process.

Current In year forecast Position at December 20 (Period 9)

4.3 As at December 2020 the Directorate was forecasting a net overspend of £1.321m, this includes COVID-19 related pressures of £5.969m, offset by in year savings and other mitigations of £4.648m. The COVID-19 costs include the increased costs for ICT to support more staff to work flexibly and additional costs in the Coroners Service. In addition, there is a reduction in sales, fees and charges income of £2.4m including £0.7m reduced capital fee income due to the slowing down of capital schemes. The remainder is from reduced registrars' income and reduced fee income in legal services and communications, a reduced take up of the annual leave purchase scheme and lower court fees in revenues and benefits.

4.4 The pressures are partly offset by £3.8m in year underspending from a combination of staff savings through vacant posts, staff turnover and also staff not being at top of grade, along with reduced running costs across all Core services. Within the employee savings there will be some posts that have been held in advance of needing to deliver the required staff reductions as part of the savings in 2021/22.

4.5 The subjective budget breakdown for the Corporate Core is provided at Appendix 1.

4.6 As set out above this report sets out a one year budget for 2021/22, however the longer term implications have been considered and these are considered in the Council's medium term financial planning.

Savings Proposals

4.7 Heads of Service reviewed all the budgets across the Core in order to identify savings and cuts proposals for consideration by members. These have been reported to the two previous scrutiny committees and the savings have been revised to reflect feedback from those Committees. The proposals do include the work to review existing working practices in order to streamline and automate or increase the amount of self-service that can be undertaken. This includes looking at how services such as ICT, Finance, HR/OD and the Shared Service Centre can reduce the level of resources through increasing triage support to managers on the back of improved ICT applications such as the new intranet. Good progress has been made with work already undertaken to improve ICT infrastructure resilience and capability, the migration to Microsoft 365 with increased collaboration functionality and the successful launch of the new intranet in November 2020. However, the real process improvements will not be realised until the replacement of SAP and the savings included as part of the proposed budget will lead to a real reduction in the level of support that can be provided.

4.8 Although the proposals set out in this report are around reduced City Council resources the impact on work with health partners will also need to be considered. As will the impact on the other Directorates in the council that will see a reduction of the capacity available to them, as well as the impact their planned changes will have on the Corporate Core.

4.9 The proposals identified from the Core as part of the wider c£41m savings equate to c£6.281m with a reduction of 115.1fte. Further details on these proposals is set out in the paragraphs below.

Legal Services - £170k -3fte's

4.10 A review of business support has identified an opportunity to reduce administration and business support requirements with initial savings of c£96k through a reduction of 3fte.

4.11 Efficiency in operations through the increased use of single justice procedure for bulk prosecutions is expected to lead to further increases to external income. This alongside reductions of existing supplies and services budgets will deliver savings of £49k in 2021/22, increasing by a further £25k 2022/23.

4.12 As part of considering any further reductions to Legal Services the implications of the changes across all Directorates will need to be reviewed. The objective is to continue to restrict the use of external legal services in order to minimise costs to the Council as externalisation of legal work is more expensive than the in- house service. Further efficiencies will be delivered when a case management system is in place in 12 to 18 months' time and this will be factored into savings proposals for 2022/23.

Coroners and Registrars - £198k -6.5fte's

4.13 Following the successful introduction of the new Coroners case management system and resulting efficiencies it is proposed to reduce the current headcount by 6.5fte which will deliver savings of £198k.

Executive Office -£15k

4.14 Savings of £15k have been identified as part of the initial proposals through reductions in supplies and services budgets, including reductions in travel costs due to the changes in working practices.

Communications - £300k – 4fte's

4.15 Strategic communications cover the communications and digital teams as well as commercial translations, presentations, design and print services (under the M-Four brand). To deliver savings in 2021/22, the service will need to stop some traditional activities where there is alternative provision. Service reductions and efficiencies totalling £163k are proposed. This includes reviewing the costs of production of the council tax and business rate information booklets in order to lower overall costs, as well as reviewing all other commitments including spend on statutory notices. Other measures include a reduction in sponsorship and a move to second class mail only.

4.16 These measures will be supplemented by a reduction in 4fte posts (£137k) from across the team which will reduce capacity within Communications.

Procurement & Commissioning and Commercial Governance - £158k - 2fte's

4.17 The proposed cut will reduce the senior capacity available to support other Directorates in commissioning services and the delivery of procurement savings. They will be achieved through a reduction of 2fte saving £122k, along with increasing external income £28k from commercial arrangements undertaken by Manchester Professional Services Ltd providing company secretary functions and cutting supplies and services budgets by £8k.

Revenue and Benefits - £1.160m -5.5fte's

4.18 As part of reviewing proposals, the objective has been to protect the core areas of assessment and revenue collection as far as possible. It should also be noted that the service is under increasing pressure due to the need to implement specific COVID-19 related support schemes across welfare payments and Council tax support schemes, Business Rates grants and payments to people who must self-isolate. In order to protect the capacity to maintain these services, it would be proposed that the implementation of these reductions is phased to avoid an unacceptable drop in service delivery and maintain revenue collection. Following the feedback from the last committee meeting and the continuing increased capacity demands on these services in administering COVID-19 related activity the initial proposed reductions of £0.506m which would have required a reduction of 16.5fte have been reduced by £340k to £160k which will require a reduction of 5.5fte.

4.19 Revenue and Benefits staff will continue to work closely with homeless staff in order to support individuals with applications for housing benefit as early as possible in order to ensure they receive maximum support and that financial support and budgets are maximised and managed effectively. This will include support in crisis as well as using discretionary budgets to maintain and sustain tenancies.

4.20 There are 2 current vacancies with Revenue and Benefits along with a number of vacancies within other services within the service area (parking and customer services) which the Director will look to fill or delete as appropriate which gives some flexibility for delivering the staffing reductions. The nature of the roles means that there are significant transferable skills within the functional areas.

4.21 It is proposed to reduce existing discretionary housing payments budget by £1m. This has reduced from the previous £1.5m and a detailed report was taken to the December scrutiny meeting outlining the demand for this funding. The Government currently provide £2.538m grant support for discretionary housing payments and the City Council provides a further £2m. The City Council contribution will be reduced by £1m from 2021/22. It is anticipated that some of the impact will be mitigated due to the temporary increases to the Local Housing Allowance Rates that increases the level of benefit entitlement towards tenants rents, and the £20 increase in universal credit which will minimise the impact of the cut. There have also been amendments in the benefit rules that changes how homeless families in dispersed accommodation are treated and this has also reduced the DHP spend in this area compared with previous years. Should there be a significant change in government policy, for example regarding LHA rates then the level of discretionary support provided will need to be reviewed.

Shared Service Centre - £252k - 8.8fte

4.22 There will be a reduction of 8.8fte. and savings of £252k. These posts are already vacant, and this is formalising planned reductions within the service.

Customer Services - £0.614m -19.3fte

4.23 A different offer for how the Council provides help and advice to residents is being developed and there will be a separate consultation and engagement process for this. The offer will take into account Members views of the future service offer, and this will include ensuring that the revised offer must be accessible and meet the needs of all members of our communities including those affected by digital and financial exclusion. This new offer will move away from the current city centre based face to face offer with the capability to provide enhanced telephone services including those for residents with additional support needs, more support online and targeted one to one support in localities, but only where it is really required.

4.24 All staff in the CSC have been undertaking non-face to face roles during the period of the closure of the CSC in the Town Hall that has been closed since Mid-March. During this period new models and access channels have been developed and improved with more work to do in the months ahead including the development of an IT platform that will support the new approach. With the introduction of a new ICT platform and more remote/virtual working this will lead to a reduction c16fte and save annual costs of c£0.538m. There are currently 8 vacant posts within the team.

4.25 In addition, there will be a reduction of 3fte for the Neighbourhood Services Contact Centre to save £76k. Whilst this will impact on response times these posts are already vacant and this is formalising the current position. In order to avoid a detrimental impact on service delivery this is being aligned to the new telephony system and other system enhancements, but it could lead to a small increase in customer wait times.

4.26 As outlined above, these proposals were reported to the December Scrutiny meeting and an extensive programme of engagement is underway to shape the final offer.

Financial Management - £0.843m – 20fte

4.27 The number of posts will be cut by 20fte saving £0.8m. This includes the disestablishment of 7 vacancies and a reduction in the support provided to services from across Financial Management. Services that provide direct support to residents, including Client Financial Services who safeguard residents' finances through the provision of appointeeship and deputyship services and the statutory welfare funerals service will not be reduced. Whilst the aim is to maintain some of the previous levels of service through introducing more automation, streamlining support provided to partner organisations and introducing more self-service, this does mean that Directorates will receive less support and there will be a reduction in the frequency of some of the monitoring activity. In addition to the staff reductions £43k is proposed through the reduction of existing supplies and services budgets, including training and travel along with increased income.

ICT - £1m – 10fte

4.28 There is a planned reduction of 10fte that will save c£400k. The ICT Target Operating Model is being reviewed, and this has identified several areas that will need to change as the ICT Strategy is progressed. This will include a different Service Desk and Know It All offer that is more focussed on ‘’get it right first time’’ and a different model for Service Delivery and Operations based on the skills that will be required to support the system changes being implemented, for example with the moves to Microsoft and Liquid Logic and the changes to ICT infrastructure and those that are planned such as the replacement of SAP. There are currently 10 vacancies within the service and there is a mismatch of current skills and those that will be required in the future that will need to be addressed once the target operating model is established.

4.29 There will be a £200k reduction in telephony and printing costs through rationalisation of the estate and changes to working practices with fewer devices across the estate. The telephony budgets will include both mobile devices, and desktop phones. Currently Directorates hold mobile telephony budgets, and this will need to be looked at across all Directorates.

4.30 It is also proposed to review all systems and infrastructure costs in order to identify opportunities to reduce and rationalise the numbers of systems in line with the needs of the Council going forward. The savings from licence renewals are phased with £100k in 2021/22 increasing to £400k in 2022/23.

Human Resources - £0.543m – 13fte's

4.31 The cuts below are predicated on moving to a new operating model and having a more effective 'front door' service. The real efficiencies will only come with the replacement of existing systems, which is still 18-24 months away and there will be a reduction in the service that is offered. The changes involve a reduction of 13fte, and this will require a review of the existing service offer and target operating model.

4.32 It is recommended that the reductions in the support for service change and some delivery capacity are deferred for nine months to support the service reorganisations across the Council and the potential move to bring the ALMO back in house with five posts retained during that period to ensure that this work can be supported. This would require the £0.543m savings to be phased £306k 2021/22 and £237k in 2022/23.

Audit, Risk and Resilience - £118k -3fte

4.33 There will be a reduction of 3fte across insurance, health and safety and internal audit. These will be met through a restructure which will include the removal of two existing vacancies.

4.34 There will be an impact on the scale of the audit plan and core risk management, resilience and safety work will require additional self-service from managers around claims investigation and safety competence within services.

Capital Programmes

4.35 Whilst services in this area are funded from the capital programme, work is being carried out to deliver savings. Due to the current construction market it has been possible to fill a higher number of technical roles which has reduced the reliance on external consultancy. In addition, there remain 14 vacancies within the team which will only be filled if they are required to deliver the future capital programme.

Policy, Performance and Reform - £0.910m – 20fte's

4.36 The proposals include a reduction of up to 20 posts across the service in addition to seven-time limited posts where the funding ends in this financial year. The reductions include the following:

- City Policy – the Policy and Partnerships and Resourcing and Programmes functions will be brought closer together to focus on thematic areas. The current proposals include the reduction of 4fte from within the existing structure, in addition to savings from non-staff budgets for consultancy and subscriptions, these total £270k. The review will include a reappraisal of priorities to be agreed with Members in line with the Our Manchester Strategy reset and the Corporate Plan. The actual reduction in posts will be less if additional external funding is secured from ERDF.
- Performance (PRI - Performance, Research and Intelligence) – The service will be restructured to achieve a net reduction of 10fte and save c£0.5m. As a result, there will be less capacity to carry out work for data governance, performance reporting for Directorates and bespoke research and analysis. The offer for health and social care will need to be reduced and aligned with resources from system partners. Until new system improvements are put in place, the impact on what can be produced will be significant and will need to be agreed with Strategic Directors.
- Reform and Innovation (R&I) – The proposed savings include 3fte which will save £140k. The impact will be the ending of the R&I support to Our Manchester Engagement work, a significant reduction in the governance and planning capacity and moving back to a core offer for health and social care.
- Table 2 below is a summary table of the Corporate Core savings proposals broken down by service area and includes the FTE impact. Whilst table 3 shows the overall change in budgets broken down by service area

Other Budget Changes

4.37 Due to the impact of Covid-19 there are ongoing financial implications in terms of both increased costs, and loss of income. Whilst there are still many unknowns, and the risks continue to monitored, and reported on there are some services whereby risks have been identified and the necessary budget adjustments have been made, these include:-

Coroners Service will have a backlog of Jury cases in 2021/22 and the forecast cost implications of these are £131k, this has been included in the budget for next year.

As part of planning for the May 2021 **Elections** additional costs will be incurred in order to ensure that the election is Covid secure, this will include purchase of additional screens and enhanced cleaning. The estimated costs of this are c£113k and a one year budget increase is proposed to meet these costs.

4.38 Government have extended the support for any lost income through sales, fees and charges into quarter 1 of 2021/22 and based on the current forecast the overall support to the Corporate Core is likely to be c£0.939m. The largest loss will be in Revenue and Benefits (£480k) through the loss of summons income, other income losses include Communications £263k, Legal £80k, Registrars £82k and reduced annual leave purchase £34k.

4.39 In response to the pandemic and looking to identify additional opportunities for young people to access employment it is proposed that 28 trainees will be recruited as part of the Kickstart programme. The young people will be deployed across the Council. The funding for the scheme is based on paying the national living wage. It is proposed that they are paid the Manchester Living Wage which will require additional investment of c£50k. This funding is included within the proposed budget for the Corporate Core.

Table 2 - Summary of Corporate Core savings proposals broken down by service area

Service	Description of Saving	Type of Saving	21/22 £000's	22/23 £000's	Total £000's	FTE's
Legal Services	Reduce staff resources	Efficiency	(96)	0	(96)	3.0
	Increased income and other budget reductions	Efficiency	(49)	(25)	(74)	
Coroners & Registrars	Reduce staff resources	Reduction	(198)	0	(198)	6.5
Executive	Travel/ subsistence expenses reductions	Efficiency	(15)	0	(15)	
Comms	Reduce staff resources	Reduction	(137)	0	(137)	4.0
	Reduce printing costs, increase recharges and postage	Efficiency	(163)	0	(163)	
Procurement, Commissioning and Commercial Governance	Delete 2 vacant posts	Reduction	(122)	0	(122)	2.0
	Increase income and reduce	Reduction	(36)	0	(36)	

Service	Description of Saving	Type of Saving	21/22 £000's	22/23 £000's	Total £000's	FTE's
	supplies and services					
Revenues and Benefits	Reduce staff resources	Reduction	(160)	0	(160)	5.5
	Reduce Discretionary Housing Payments	Reduction	(1,000)	0	(1,000)	
Financial Management	Reduce staff resources	Reduction	(843)	0	(843)	20.0
ICT	Reduce staff resources	Reduction	(400)	0	(400)	10.0
	Savings on system running costs and telephony	Efficiency	(300)	(300)	(600)	
HR/OD	Reduce staff resources	Reduction	(306)	(237)	(543)	13.0
Audit	Reduce staff resources	Reduction	(118)	0	(118)	3.0
Shared Service Centre	Reduce staff resources	Reduction	(252)	0	(252)	8.8
Customer Services	Reduce staff resources	Reduction	(614)	0	(614)	19.3
City Policy	Reduce staff resources and special projects budget	Reduction	(270)	0	(270)	4.0
PRI	Reduce staff resources	Reduction	(500)	0	(500)	13.0
Reform & Innovation	Reduce staffing resource	Reduction	(140)	0	(140)	3.0
Corporate Core Totals			**(5,719)**	**(562)**	**(6,281)**	**115.1**

Table 3 - Overall change in budgets broken down by service area - Approved MTFP

Service	Description	21/22 £000's	22/23 £000's	23/24 £000's	Total	FTE's
Growth & Development						
Operational Property	Staffing Reduction	36			36	1.4
	Reduced Estate	610	591	(601)	600	
Facilities Management	Staffing Reduction	270			270	10

Service	Description	21/22 £000's	22/23 £000's	23/24 £000's	Total	FTE's
Investment Estate	Survey Fee Income	75			75	
	Ground Lease Income			300	300	
	Investment estate income	300			300	
Growth & Development		**1,291**	**591**	**(301)**	**1,581**	**11.4**
Neighbourhoods Service						
Commercial	Small Format Advertising	1,300			1,300	
	Piccadilly Gardens	225	225		450	
	Dawson St	50			50	
	Off Street Parking	4,100			4,100	
	Bereavement Services	85			85	
Neighbourhoods Total		**5,760**	**225**		**5,985**	

5. Scrutiny Arrangements

5.1 As part of supporting scrutiny committees with their roles all service areas from across the Council under the remit of each scrutiny panel have been included in one overall report. Therefore, this section includes the proposed budget reductions for other service areas outside of the Corporate Core which form part of the remit for Resources and Governance Scrutiny Committee. The details are set out in the following paragraphs and are shown in table 2 above.

Growth and Development

5.2 Operational Property -£0.636m -1.4fte, since March 2020 the Council have made huge progress with the flexible working agenda, and this has provided an opportunity to replan for a smaller, higher quality, lower cost and lower carbon estate. This will be delivered alongside the Future Council work and link in with the ICT strategy. The work is focussing on the use of office space rather than community-based assets. There will be a need for some limited capital investment on an invest to save basis to ensure space can be used more flexibly. The work will target reductions in leased buildings as well as looking at whether more space can be shared with partners to generate rental income. The £0.6m savings will be delivered over a four-year period.

5.3 In addition to the review of the estate it is proposed to reduce the headcount by 1.4fte and save £36k. This will be achieved through the deletion of 1.4 existing vacant posts.

5.4 Facilities Management - £270k -10ftes the service includes building cleaning, security and repairs and maintenance, of which cleaning is provided in house, whilst the other two contracts are external contracts. As part of the recent procurement exercise for security it was agreed that the contractor would undertake a review of all existing security arrangements after an initial period of operation. Unfortunately, because of the Covid-19 impact the contractor has not yet worked under usual business conditions. Work is ongoing to identify possible savings proposals although these will need to be balanced against the increased risk, and these will be considered as part of the 2022/23 budget options.

5.5 Currently there are 10 vacant positions with Facilities Management, and it is proposed to delete these posts to achieve savings of £270k.

5.6 Investment Estate - £0.675m - this will be achieved through increased income from the following areas: -

- Review existing fees for surveyors and ensure projects are covering the appropriate fee costs - £75k
- New ground rental portfolio to be secured against long leasehold disposal of land as part of Northern Gateway development - £300k (2023/24)
- Maximising income generation or reducing expenditure on assets through increased partnership arrangements - £300k.

5.7 Alongside the above a review of all commercial interests will be undertaken with a view to rationalising the estate through the identification of non-surplus generating assets which could then be sold to generate income and reduce ongoing costs.

Neighbourhoods Directorate

5.8 Operations and Commissioning - £5.985m, - In continuing to develop the commercial offer and seeking to maximise external income, proposals have been identified that could provide income of c£5.985m, although £225k of this will be only realised in 2022/23, this includes:

5.9 Advertising - The tenders for the small format advertising contract were received in September and the new contract went live from January 2021. It is proposed that the income target will be increased by £1.3m per annum, following the award of the new contract.

5.10 Generation of a further £0.5m through advertising revenue. This will include A New large format site at Dawson St (£50k), and the introduction of a large new advertising screen in Piccadilly Gardens. The latter screen will be developed as part of the Piccadilly Gardens community scheme and could generate around £450k per annum. This will require planning permission and if planning approval is granted there will be a lead time of around six months following planning approval.

5.11 The existing off-street parking joint venture ended 31st December 2020. The new arrangements are that the car parks are to be managed in house from January 2021 once the City Council takes on responsibility for the ongoing management and maintenance of the City Council car parks, this will be funded through the parking fee income generated through the use of the car parks. It is forecast that the net surplus income retained by the City Council will be £4.1m per annum, this does assume that parking levels return to normal during 2021/22.

5.12 Bereavement Services operate as a business unit with agreed charges linked to the service offer. An increase of 1.9% above inflation is proposed which will bring fees and charges in line with other local authority areas, and result in an additional £85k income per year.

5.13 City Council markets operate on a cost recovery basis, except for Wythenshawe indoor market which continues to require financial subsidy from the Council. It is proposed to close the indoor market in order to remove the need for the annual £110k subsidy requirement. Work will progress to support the traders to access alternative sites, either in the outdoor market or elsewhere within the City. The outdoor market will remain operational

6. Capital Strategy

6.1 The approved Corporate Core capital programme is detailed in the Council's Capital Strategy report, which is included in the suite of budget reports submitted to the Executive and Council. The Capital Strategy also includes details on potential future capital investment which has been identified, and which is expected to be brought forward in the medium term.

6.2 The revenue implications of any approved capital projects have been incorporated into the revenue budget. Before any of the potential investment priorities are approved, the revenue implications of the investment will be reviewed and agreed as part of the approval process.

7. Workforce Implications

7.1 The proposals set out in this report will lead to the deletion of c.115.1fte posts in the Corporate Core, of which c.54 are vacant.

7.2 To support the workforce reductions a time limited targeted Voluntary efficiency scheme was opened, and this closed on 11 December, based on the number of applications received, it is expected that the required reduction in staff will be achieved.

7.3 Consultations have started with Trades Unions on the MPeople processes to ensure that the Council does not lose the focus on providing support for our workforce to develop and progress and where relevant to reskill into different roles, with a view to focussing on giving excellent support to those at risk of redundancy in finding suitable alternative employment.

8. Equality Diversity and Inclusion

8.1 We will continue to ensure that the Council meets its obligations under the Public Sector Equality Duty, building on our successes at fostering good relations between Manchester's communities of identity and maintaining fair and equal access to Council functions. Through ongoing customer monitoring, satisfaction and engagement approaches, we will strengthen and utilise our growing evidence bases within the Directorate to identify the differential experiences of individual identity groups in Manchester accessing Council services, and proactively respond to make these as fair and equitable as possible.

8.2 The Corporate Core is committed to understanding and addressing the effects and impacts of its activities for the diverse range of people using its services. To achieve this, we are committed to undertaking equality analysis of the proposed changed services to ensure they are accessible and inclusive, and do not cause adverse equality impacts. The Corporate Core will use the Council's Equality Impact framework to do this.

9. Risk Management.

9.1 The Corporate Core will seek to manage all expenditure within the approved budget and performance against budgets will be monitored and reported to members on a regular basis, this will include a risk register with any mitigations identified.

10. Legal

10.1 There are no legal implications arising from this report.

11. Consultation

11.1 A public consultation is currently underway asking residents for their views on the Council's 2021/22 budget savings options. The consultation opened on 20 January 2021 and runs for a period of four weeks, closing on 21 February 2021. In addition to promotion via the Council's website, social media channels and e-bulletins, a consultation toolkit has been shared with community partners, voluntary and community sector partners, Councillors and key stakeholders to ensure that the consultation is promoted widely within our communities.

11.2 The consultation can be found at www.manchester.gov.uk/budget. The results will be shared at the Budget Resource & Governance Scrutiny Committee on 1 March 2021.

12. Conclusion

12.1 The Council continues to face a period of significant change and there are Increased demands for services alongside the need to make budget cuts. The budget strategy provides Members with details of the work that has been undertaken, and is ongoing within the Corporate Core to ensure we are able to continue providing quality effective services, whilst also contributing savings towards the wider council budgets.

12.2 The proposed revenue budget for 2021/22 is a one year budget which is aligned to both the Governments one year budget settlement and the Councils one year budget proposals

12.3 The future council work is ongoing which will set out what sort of Council we want to be in the longer term, building on the feedback in the Our Manchester Strategy reset, considering the major changes the Council is facing and the fact that there will be less resources available in the future. This will also provide the framework for future budget decisions.

12.4 The Directorate budget proposals in this report have been refined following feedback from both the November and January Scrutiny Committees. The report will be submitted to Scrutiny and Executive in February 2021.

13. Recommendations

13.1 The recommendations appear at the front of this report.

Appendix 1 - Subjective analysis

Subjective Heading	**2020/2021 Budget £'000**	**2021/2022 Indicative Budget £'000**
Expenditure:		
Employees	76,149	72,037
Running Expenses	237,185	241,517
Capital Financing Costs	-	-
Contribution to reserves	10,501	10,219
Total Subjective Expenditure	323,835	323,773
Less:		
Other Internal sales	(15,601)	(15,601)
Gross Expenditure	(15,601)	(15,601)
Income:		
Government Grants	(184,309)	(184,322)
Contributions from Reserves	(3,619)	(9,229)
Other Grants Reimbursements and contributions	(5,036)	(5,041)
Customer and Client Receipts	(32,189)	(30,985)
Other Income	(11,797)	(11,797)
Total Net Budget	**71,284**	**66,798**

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Manchester City Council
Report for Resolution

Report to: Children and Young People Scrutiny Committee – 10 February 2021
Executive – 17 February 2021

Subject: School Budget 2021/22

Report of: Strategic Director for Children and Education Services

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Summary

Dedicated School Grant (DSG) is a ring-fenced grant of which the majority is used to fund individual schools budgets in maintained schools and academies in the city, early years nursery entitlement and provision for pupils with high needs including those with Education Health & Care Plans (EHCPs) in special schools, special provision and mainstream schools in Manchester and out of city.

Local authorities receive and manage the DSG within four blocks: schools, central school services, high needs and early years. A large proportion of it is paid directly to schools and other settings to provide the majority of education services. A proportion of the DSG is provided for local authorities to deliver education services.

DSG funding is determined in two stages: first, the government provides the grant to local authorities for all state funded schools in the city, and then local authorities determine the grant distribution to the local educational establishments.

DSG arrangements for 2021/22 remain unchanged with the grant continuing to be allocated to local authorities in four blocks based on a national formula, but Local Authorities can continue to fund schools on the local formula. Manchester's Schools Forum has opted to maintain the local funding formula. In the Autumn the Government re-confirmed the intention to implement a National Funding Formula which means that primary and secondary school funding longer term is likely to be determined by the Department of Education (DfE), however it is expected the allocation of budgets will continue to take place locally.

This report provides a summary of the confirmed DSG allocation from the 2021/22 settlement announced on the 17th December and the budget allocation across individual school budgets and Council's retained schools budgets which was reported to Schools Forum on the 18th January 2021.

Recommendations

The Committee and the Executive are invited to review and comment on the 2021/22 individual school budgets (ISB) and Council retained school budgets (RSB) determined from the Dedicated Schools Grant (DSG) settlement.

The Executive is recommended to approve these budget proposals.

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 report 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	Effective Children and Education Services are critical to ensuring our children are afforded opportunities and supported to connect and contribute to the city's sustainability and growth.
A highly skilled city: world class and home grown talent sustaining the city's economic success	Ensuring children and young people are supported and afforded the opportunity to access and achieve in the City; empowered and supported by the delivery of a strong and cohesive system that works for all children.
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	Improving education and social care services that are connected to the wider partnership build the resilience of children and families needed to achieve their potential and be integrated into their communities
A liveable and low carbon city: a destination of choice to live, visit, work	Improving outcomes for the children and families across the City, helps build and develop whole communities and increases the liability of the City
A connected city: world class infrastructure and connectivity to drive growth	Successful services support successful families who are able to deliver continuing growth in the City

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

- Equal Opportunities
- Risk Management
- Legal Considerations

Financial Consequences for the Capital and Revenue Budgets:

The proposals set out in this report forms part of the preparation of the Council's draft revenue and capital budget for 2021/22 to be reported to the Executive for approval in February 2021.

Contact Officers:

Name: Paul Marshall
Position: Strategic Director for Children and Education Services
Telephone: 0161 234 3952
E-mail: paul.marshall@manchester.gov.uk

Name: Amanda Corcoran
Position: Director of Education
Telephone: 0161 234 4314
E-mail: amanda.corcoran@manchester.gov.uk

Name: Reena Vandhna Kohli
Position: Directorate Finance Lead - Children, Education and Schools
Telephone: 0161 234 4235
E-mail: reena.kohli@manchester.gov.uk

Background documents (available for public inspection):

None

1.0 Introduction

1.1 The Dedicated Schools Grant (DSG) for 2021/22 was received on 17 December 2020, this is a ring fenced grant of which the majority is used to fund:

- Individual schools' budgets in maintained schools and academies in Manchester.
- Early years nursery entitlement for two, three- and four-year olds in maintained school nursery classes, private, voluntary and independent (PVI) nurseries.
- Provision for pupils with high needs including those with Education Health & Care Plans (EHCPs) in special schools, special provision, mainstream schools and further education in Manchester and independent settings (commonly known as Out of City placements).

1.2 The DSG is split into four blocks: schools, central school services, early years and high needs. This report sets out the 2021/22 settlement and implications of it on schools and the Council. This report which for ease of reference is structured as follows:

Section 1	Introduction
Section 2	2021/22 DSG Settlement
Section	Distribution of grant across educational establishments and Council retained budgets.
Section 4	Dedicated Schools Grant Deficit Recovery Plan
Section 5	Summary

2.0 Dedicated Schools Grant (DSG) 2021/22 Settlement

2.1 The 2021/22 DSG notification was received on the 17th December 2020 and totals **£602.626m**. Table one provides a breakdown of the grant across the DSG blocks and sets out why the grant changed between 2020/21 and 2021/22.

2.2 The overall increase in grant since last year is £42.477m, table one sets the movement since last year:

- **£20.236m** of the change is due to increases in the grant, £10.611m in the school block, £9.184m uplift in the high needs block. Part of this increase is due to the City having greater need, free school meals have increased by 7% since the start of the pandemic, which is given a heavier weighting in the formula. £0.524m of the increase relates to increase in hourly rates for Early Years and £83k reduction in central services schools grant.
- **£19.498m** of the increase relates to the transfer of the Teacher's Pay Grant and Teacher's Pension Grants into the DSG.
- **£4.454m** of the increase in the grant relates to increases in pupil numbers (last financial year this was £11.528m).
- downward adjustment of **£1.711m** relating to growth funding allocation.

Table one: DSG settlement 2021/22 and 2020/21

BLOCK	Schools £m	Central School Services £m	High Needs £m	Early Years £m	Total £m
2021/22	456.200	3.902	100.583	41.941	602.626
2020/21	425.944	3.661	89.127	41.417	560.149
Difference	**30.256**	**0.241**	**11.456**	**0.524**	**42.477**
As a result of:					
Change in Grant	10.611	-0.083	9.184	0.524	20.236
Transfer of TPG & TPECG	17.522	0.292	1.683	Tbc	19.498
Pupil No. increases	3.833	0.032	0.589		4.454
Growth Fund change	-1.711				-1.711
Difference	**30.256**	**0.241**	**11.456**	**0.524**	**42.477**

Schools Block

2.3 The Schools Block allocation of £456.200m has been calculated bottom up on the basis as if the national funding formula (NFF) was applied at school level. Local authorities are permitted to use a local ('soft') formula to distribute the aggregated total between each school and academy as is the case in Manchester. The £456.200m will be allocated out to schools in individual budget shares or held for the growth fund.

2.4 The allocation has increased by **£30.256m** in 2021/22. The funding allocation provides a guaranteed unit of funding of £4,945.87 per primary pupil and £6,636.18 per secondary pupil. These units of funding have increased due to Manchester's historically funding levels are above the national formula funding values and because of this the Council funding is protected which is 2.00% of the minimum increase that can be applied. Part of this increase is due to the City having greater need, free school meals have increased by 7% since the start of the pandemic, which is given a heavier weighting in the formula. This makes up **£10.611m** of the grant increase.

2.5 **£17.522m** of the increase relates to the transfer of the Teacher's Pay Grant and Teacher's Pension Grants into the DSG.

2.6 The budget is based on 80,159 children aged 5-16, the allocation has increased by **£3.833m** to reflect growth in primary and secondary pupils between October 2019 and October 2020 of 724 (0.9%).

2.7 The growth fund allocation has reduced significantly in 2021/22, owing to a reduction in the **levels** of pupil growth between the October 2019 and October 2020 censuses. The 2021/22 growth fund allocation of £3.634m is **£1.711m less** than the 2020/21 allocation and impacts Manchester's ability to fund growing schools in the City.

2.8 At the time of writing this report it is expected that at January 2021 Schools Forum will endorse Council's intention to increase funding for pupils, pupil characteristics, and protection as much as is affordable within the formula when allocating out funding to schools.

Central Schools Services Block

2.9 The central school services block allocation is £3.902m and supports the Council's role in education. It comprises two elements:

- 'On-going Responsibilities' - funding for this is determined by number of pupils and deprivation
- 'Historic Commitments' (previously known as Combined Services) - funding for this is based on past actual costs.

2.10 'Ongoing Responsibilities' - funds the Admissions service, copyright licenses, servicing of Schools Forum and duties local authorities have for both maintained schools and academies. The per pupil amount for 'On-going Responsibilities' has reduced by 2.5% which equates to per pupil reduction of £1.04 to £40.54 per pupil. The impact of the reduction in the rate per pupil has been offset by an increase in Manchester's pupil numbers, demonstrated in table three below.

2.11 'Historic Commitments' are time-limited and expected to reduce over a period. The DfE has suspended a planned 20% reduction in funding in 2020/21 where local authorities can demonstrate an on-going borrowing commitment. Manchester has evidenced the on-going commitment for unsupported borrowing against a school's capital scheme of £358k per year, the scheme runs until 2032/33.

Table two: Central Schools Service Block

CSSB	2020/21	2021/22	Difference
Historic Commitments (£m)	**0.358**	**0.358**	**0**
On-going responsibilities:			
Unit of funding	£41.58	£40.54	-£1.04
Transfer TPG & TPECG	£0.00	£3.67	£3.67
Total Unit of funding	£41.58	£44.21	£2.63
Oct 20 census number on roll	79,435	80,159	724
Total On-going responsibilities (£m):	**£3.303**	**£3.544**	**£0.241**
CSSB Total (£m)	**£3.661**	**£3,902**	**£0.241**

High Needs Block

2.12 The high needs block allocation is £100.583m and provides funding for children and young people with special educational needs and disability (SEND) from early years to age 25. The DfE has allocated an additional £0.7bn to the high needs block nationally. Manchester's additional high needs block grant allocation is £11.456m, an increase of 12.85% compared to 2020/21.

2.13 This block of funding is for those pupils or students who require provision that would not normally be available within the delegated resources of a mainstream school. It is also for pupils who would require additional targeted resources in order to meet their needs in a mainstream setting or placement in a specialist setting, such as a SEND resource unit or a special school. It enables both local authorities and providers to meet their statutory duties under the Children and Families Act 2014. High needs funding is also intended to support good quality alternative provision (AP) for pre-16 pupils who cannot receive education in schools.

Early Years Block

2.14 The early years block funding is £41.941m and is provisional, this reflects the 2021/22 early years national funding formula (EYNFF) rates for all councils published in December 2020. Both the two year old rate and the three and four year old rate for Manchester have increased in 2021/22, by 8p and 6p per hour respectively. This is an increase of 1.21% for three and four year olds and 1.49% for two year olds.

3.0 Distribution of grant across educational establishments and Council retained budgets

3.1 DSG funding is provided in two stages: first, the government provides the grant to a local authority, and then the Council determines the grant distribution to the local educational establishments.

Schools Block

3.2 The schools block funds individual primary and secondary (mainstream) schools' budgets. Funding is currently based on a local funding formula. This formula applies to all primary and secondary schools and academies. Individual school funding is determined by pupil numbers, pupil characteristics, a lump sum and premises related factors.

3.3 No change to Manchester's individual schools formula for primary and secondary schools is proposed. Manchester schools will receive a 3% increase on funding for pupils and pupil led characteristics. The lump sum continues to be funded at £37k above the rate the Council has been funded as part of the local formula. Protection of plus 2% per pupil compared to last year's budgets has been provided. This ensures that all schools will receive an inflationary increase compared to what was received last financial year on a per pupil basis.

3.4 The element of the grant which should support new schools and ones that are expanding is over-committed by £1.259m, this shortfall will be met from the budget which would otherwise be allocated out to all schools.

Central Schools Services Block

3.5 This block provides funding for the Council to carry out central functions on behalf of pupils in state-funded maintained schools and academies. The block is split into funding for historic commitments and funding for the Council's school responsibilities, such as Admissions.

High Needs Block

3.6 The 2021/22 high needs block grant allocation totals £100.584m and includes an £11.456m uplift to the block. The table below provides the planned spend against the additional allocations provided in 2020/21 and 2021/22 are table three below:

Table three: High Needs Block growth

	2020/21 £m	**2021/22 £m**
Additional HNB Allocation	**11.994**	**11.456**
Mainstream EHCPs, Special School places, Resource units, Education, Health and Care Plans	5.124	6.076
Post 16 Places	1.700	0.956
Out of City Places	3.059	1.281
Central Services	0.279	-0.040
TOTAL: Growth	10.162	8.273
TPG and TPECG		1.683
Recovery Balance (year 1)	1.832	1.500
Balance	**0**	**0**

4.0 DSG – High needs pressures

4.1 DSG deficits can no longer be paid off from general funds without requesting permission from the Secretary of State. Deficits needs to be paid off from within DSG funds. Manchester's DSG is overspent due to high needs block pressure, table four below sets out the position 2017/18 – 2020/21 (forecast). At the point of 2020/21 budget setting, £1.83m of the 2020/21 HNB allocation was earmarked for planned recovery against the 2019/20 brought forward £4.28m deficit. Due to additional demand for EHCPs and Post 16 support surpassing expectations, very little of last year's deficit has been recovered.

Table four: DSG Outturn Position

Balance surplus/(deficit)	**2017/18 £m**	**2018/19 £m**	**2019/20 £m**	**2020/21 (forecast) £m**
Opening	0.045	(0.769)	(1.711)	(4.281)
In-Year	(0.814)	(0.942)	(2.570)	(0.239)
Year-End	**(0.769)**	**(1.711)**	**(4.281)**	**(4.520)**

4.2 The key cause for the deficit is due to pupil growth and demand on part of the grant supporting children with high level of needs is greater than growth in the high needs block grant allocation. High needs block pressures are recognised to be a pressure nationally, over 80% of local authorities are reporting a high needs block deficit and the scale of the shortfall in funding is rapidly escalating. In order to manage high needs block the Council continues to develop more local less costly provision by creating additional special school places to meet demand within Manchester.

4.3 In the light of the DSG settlement and following review of all high needs block budget the recovery plan has been revised. The additional high need block will fund existing shortfalls and expected growth in both special schools and EHCPs in 2020/21 but not fully cover current shortfalls. Given this it is planned that the deficit is recovered over a three year period, whereby £1.5m of the annual grant allocation will be set aside for the recovery.

5.0 Summary

5.1 Table five below sets out the grant breakdown of DSG blocks. The table provides a summary of the split between individual school budgets and those budgets retained centrally by the authority across each of the blocks in 2020/21 and 2021/22.

Table five: DSG individual school budgets and retained school budgets

Budget	Schools £m	Central School Services Block £m	High Needs £m	Early Years £m	Total £m
Retained School	2.392	3.661	30.188	1.262	**37.503**
Individual School	423.552	0	58.939	40.155	**522.646**
DSG 2020/21	**425.944**	**3.661**	**89.127**	**41.417**	**560.149**
Retained School	1.100	3.902	33.884	1.569	**40.455**
Individual School	455.100	0	66.699	40.372	**562.171**
DSG 2021/22	**456.200**	**3.902**	**100.583**	**41.941**	**602.626**

5.2 The DSG recovery plan has been revised, whereby £1.5m of next year's grant will be earmarked for the grant's recovery.

Glossary

Central Services Block	This is one of four blocks of Dedicated Schools Grant (DSG) allocated to local authorities to carry out functions on behalf of pupils in both maintained schools and academies. There are two distinct elements within this block: the 'ongoing responsibilities', comprising of funds previously separately specified by the Department for Education (DfE) and retained centrally (admissions, copyright licenses and servicing schools' forum). the 'historic commitments' previously known as 'combined services'.
Early Years Block	The early years block funds all factors relating to three and four-year-olds and disadvantaged two-year-olds in nurseries, private, voluntary and independent settings, and maintained schools.
High Needs Block	The high needs block covers place funding for special schools/academies and units, top-up funding for high needs pupils, alternative provision and education otherwise than at school, and funding for local authority central special educational; needs services.
Minimum Funding Guarantee	The MFG stipulates the minimum amount by which a school's budget must increase (or maximum decrease) when compared with its budget for the previous year, before allowing for changes in pupil numbers. Some specific items of expenditure (such as rates and resources specifically assigned to individual pupils with special needs) are excluded from the coverage of the MFG. The local authority can modify the operation of the MFG with the approval of the Secretary of State
National Funding Formula	National Funding Formula DfE has published proposals for a new national funding formula for schools, high needs and early years funding. In March 2016 DfE published proposals to make the distribution of schools and high needs funding fairer, and in August 2016 DfE published proposals on early years funding reforms.
Soft Funding Formula	The DfE will moved to a national funding formula at Local Authority level. The DfE use the national funding formula to calculate LAs' funding allocations, LAs can still determine individual schools' funding allocations through their local formula.
Schools Block	The schools block will fund all primary and secondary school pupils that are not funded through high needs or early years blocks.
TPG & TPECG	Teacher's Pay Grant and Teacher's Pension Grant. This funding covers the cost of the increase in the employer contribution rate of the Teachers' Pension Scheme (TPS) from 16.4% to 23.6%, from September 2019.

Manchester City Council
Report for Resolution

Report To: Executive – 17 February 2021

Subject: Housing Revenue Account 2021/22 to 2023/24

Report of: Strategic Director (Growth and Development) and Deputy Chief Executive and City Treasurer

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Purpose of the Report

This report presents members with details on the proposed Housing Revenue Account (HRA) budget for 2021/22 and an indication of the 2022/23 and 2023/24 budgets.

It seeks approval for the 2021/22 HRA budget, and the proposed average rent increase of 1.5% for all properties, the proposed increase is in line with Government guidance.

It is also proposed that the City Council continue with the policy of where rent is not yet at the formula rent level, then the rent will be revised to the formula rent level when the property is re-let.

The tenants test of opinion has now concluded, and there was a large level of support to the bringing back in house of the ALMO. Work is now ongoing to determine the future management arrangements, and this will require a thorough review of the current proposed expenditure budgets, any changes that require further approval will be brought back to Members.

Recommendations:

The Executive is recommended to:

1) Note the forecast 2020/21 HRA outturn as set out in section 4.

2) Approve the 2021/22 HRA budget as presented in Appendix 1 and note the indicative budgets for 2022/23 and 2023/24.

3) Approve the proposed 1.5% increase to dwelling rents, and delegate the setting of individual property rents, to the Director of Housing and Residential Growth and the Deputy Chief Executive and City Treasurer, in consultation with the Executive Member for Housing and Regeneration and the Executive Member for Finance and Human Resources.

4) Approve the proposal that where the 2021/22 rent is not yet at the formula rent level, the rent is revised to the formula rent level when the property is re-let.

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5) Approve the proposed 2021/22 changes for communal heating charges as detailed in paragraphs 5.15 to 5.19.

6) Approve the proposed 2021/22 Northwards management fee as detailed in paragraphs 5.27 to 5.28.

7) Approve the proposed increase in garage rental charges as outlined in paragraph 6.1

Wards Affected: Charlestown, Cheetham, Crumpsall, Harpurhey, Higher Blackley, Moston, parts of Ancoats and Clayton, Ardwick, Miles Platting and Newton Heath

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	A healthy and fit for purpose affordable housing market will support a functioning local and sub regional economy.
A highly skilled city: world class and homegrown talent sustaining the city's economic success	Access to appropriate affordable housing and services will support residents to achieve and contribute to the city.
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	The supply of affordable good quality homes will provide the opportunity for Manchester residents to raise their individual and collective aspirations.
A liveable and low carbon city: a destination of choice to live, visit and work.	The right mix of affordable 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	Affordable social housing plays an important part in ensuring that there are neighbourhoods where people 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

Expenditure and income on the provision of Council housing must been contained within the Housing Revenue Account which is a ring-fenced budget separate to the Council's General Fund. Whilst HRA expenditure can exceed income in any given year, the HRA overall cannot go into deficit. The recommendations in this report will determine the financial plan for 2021/22 – 2023/24 and the impact on the overall financial model for the HRA over a 30-year period.

The HRA financial plan covers a rolling period of 30 years and is made up of rental income, Private Finance Initiative (PFI) grant and heating charges, which must be used for the purpose of funding the costs of managing and maintaining HRA assets. The amount of income in the HRA in 2021-22 excluding monies from reserves is forecast to be approximately £87m.

Financial Consequences – Capital

Within the proposed HRA budget a mandatory charge for depreciation is made, and this can be used to either fund capital expenditure or reduce housing debt. The 2021/22 HRA budget includes a forecast depreciation charge of £18m, which will be set aside to fund capital investment.

The assumptions on capital expenditure for the financial years 2021/22- 2023/24 are for expenditure (net of grants) in excess of £87m. This includes schemes that will help the Council to become carbon neutral by 2038.

For the years 2023/24 and 2024/25, the figures used are based average expenditure over the past three years by Northwards, plus planned expenditure on the retained element.

From 2025/26 onwards the HRA budget includes an annual capital budget of c£25m per annum which increases annually in line with CPI.

The HRA budget already allows for the costs and implications of the following new build programmes:-

- Brunswick PFI Extra Care Scheme (30 Units) (2020-21)
- Silk Street (68 properties) (2022-23)
- Collyhurst (130 properties) (2024-25)

The total forecast costs of the Collyhurst programme are c£31.2m, and there is £1.4m of Northern Gateway and c£23.41m of HRA funding identified and included within the current proposed HRA budget. As referenced in the capital report elsewhere on the agenda there is a bid for £6.39m Homes England funding being submitted to support the development of the 130 new homes, but in order that preparatory works can commence the HRA will underwrite the £6.39m funding to ensure that the scheme can commence in the event that this bid is not successful.

Contact Officers:

Name:	Carol Culley
Position:	Deputy Chief Executive and City Treasurer
Telephone:	0161 234 3564
E-mail:	carol.culley@manchester.gov.uk
Name:	Louise Wyman
Position:	Strategic Director, Growth and Development

Telephone: 0161 234 3030
E-mail: louise.wyman@manchester.gov.uk

Name: Kevin Lowry
Position: Director of Housing and Residential Growth
Telephone: 0161 234 4811
E-mail: kevin.lowry@manchester,gov.uk

Name: Paul Hindle
Position: Head of Finance Corporate Core and Strategic Development
Telephone: 0161 234 3025
E-mail paul.hindle@manchester.gov.uk

Background documents (available for public inspection):

None

1. Introduction

1.1. The purpose of this report is to approve the Housing Revenue Account (HRA) 2021/22 budget and provide members with recommendations for approval in respect of the 2021/22 tenants' rent, garage rents and communal heating charges.

1.2. This report sets out the HRA budgetary proposals for 2021/22, and the indicative position for 2022/23 and 2023/24. Furthermore, it highlights the current use of reserves, along with the risks that need to be managed going forward.

1.3. Following the conclusion of the recent tenant's test of opinion a report was taken to January Executive setting out the details, and it was agreed that arrangements should be made to bring the ALMO back in house from July 2021. For budget setting purposes the current proposed HRA budget has been prepared on an 'as is' basis, and work is being done to understand the implications and to rework the HRA budget, and this will be brought back to Members.

2. Background

2.1. Since the introduction of Self Financing in April 2012 the Council has had to manage its housing stock on a similar basis to Registered Providers. This has entailed developing a rolling 30-year business plan and reviewing the use of existing assets to ensure that benefits are maximised.

2.2. In developing the 30-year business plan it is essential that the Council considers all risks and ensures that any investment decisions are affordable both in the short and longer term.

2.3. In previous years there has been significant legislative change following the introduction of the Housing and Planning Act and Welfare Reform Act, in addition to this there have been policy changes that have affected the HRA budget, both in the short term, and in future years. In particular, the imposition of a 1% annual rent cut for four years from 1st April 2016 had a significant effect on available resources over the life of the business plan.

2.4. In February 2019, the Government released a policy statement on rents for social housing, which included a direction to the Regulator of Social Housing to have regard for the following when setting the rent standard for registered providers of social housing:

From 1 April 2020, registered providers may not increase rents by more than CPI (at September of the previous year) plus one percentage point in any year.

This followed a consultation paper in which the Government stated that the proposed direction "reflects our announcement in October 2017 that we intend to permit registered providers to increase their rents by up to CPI+1% each year, for a period of at least five years".

2.5 This report is seeking approval for the 2021/22 HRA budget, but as part of the work the longer term (30 year) HRA business plan has been prepared. It should be noted that the longer-term budget is based on forecasts and there are many variables that could impact upon the forecasts, in particular the level of future years rent increases. The current business plan shows a healthy level of reserves currently, but the forecasts shows that reserves fall below the c£60m level required to avoid having to pay increased interest charges on debt in 2030/31, and the reserves are forecast to run out by 2038/39. In order to support the desired investment and ongoing activity further savings over the short/medium term will have to be identified and work is ongoing to review all the income and expenditure in the HRA.

3. Statutory Duties in Determining the HRA Budget Strategy

3.1. The rules governing the maintenance of the HRA were established pursuant to the Local Government and Housing Act 1989 and provide that:

- The Council must formulate proposals in respect of HRA income and expenditure for the financial year which, on the best assumptions and estimates that the Council is able to make at the time, ensure that the HRA does not show a debit balance;
- The Council is required to keep a HRA in accordance with proper practice. The Council has the responsibility to determine a strategy that is designed to ensure that the HRA is in balance taking one year with another.
- The HRA continues to be a ring-fenced account, this means that it must, in general, balance on a year-to-year basis, so that the costs of running the Housing Service, which include debt charges, administration costs and maintenance expenditure must be met from HRA income.

4. Budget Position 2020/21

4.1. As at December 2020 the HRA is forecasting that expenditure will be £23.780m lower than budget, which would result in an in-year surplus of £5.148m. This will be credited to the HRA reserve. The main reasons for this change are as follows:

- RCCO - £22.257m underspend – due to slippage and delays on a number of schemes, largely due to reduced access to properties and time delays because of the pandemic.

- Private Finance Initiatives - £2.212m underspend – The key changes are £1.562m slippage in capital expenditure, the Brunswick extra care scheme has been delayed and is expected to be complete before the end of March 2021 leading to reduced expenditure of £0.587m, inflation increases on the PFI contracts were lower than originally forecast and this resulted in net savings in year of £63k.

- Northwards Management Fee - £403k overspend largely due to a combination of the pay award being higher than forecast, additional costs in respect of Covid-19 support to suppliers and works on the Riverdale Estate.

- Other Income is forecast to be £297k lower than budget this is due to in reduced service charge income, and reduced monies from RSL's in respect of VAT savings on capital works undertaken.

- Other minor underspends totalling £11k.

5. Budget Strategy 2021/22 - 2023/24

5.1. The HRA financial plan has been prepared on the same basis as the current year but takes into account all known changes to housing stock numbers, proposed investment needs and inflationary assumptions in line with the City Council medium term financial plan. It also accounts for the potential impact of Covid-19 and Welfare Reform on rent collection levels through increasing the level of bad debt provision.

5.2. The HRA budget shows statutory compliance in that a surplus is forecast (before the use of reserves to fund capital works) at the end of each year within the three-year budget strategy period. However, due to a number of factors including the Government's imposed 1% rent reduction over four years from 2016/17, the impact of the Grenfell Tower fire disaster, and the Council's ambition to become a zero carbon City, the HRA does not currently remain in surplus over the life of the 30 year business plan based on current assumptions. Costs are regularly reviewed in order that efficiencies can be identified to ensure that reserves are kept at a sufficient level to enable risk to be managed and resources to be available to fund future works required.

Management of Housing Stock and Implications of "Right to Buy"

5.3. The Council continues to own and manage approximately 15,500 properties within the HRA under various arrangements. These include three PFI schemes (c.2,600) and stock managed by either Northwards Housing (c.12,700) or other Registered Providers (RP's) (c200).

5.4. Residents in stock managed by Northwards Housing, the Council's Arm's Length Management Organisation (ALMO), have had the opportunity to undertake a Test of Opinion on the current management arrangements of arrangements of the c12,700 properties. The test of opinion follows the report to Executive on 9th September 2020 informing of the outcome of the "due diligence" review of the ALMO, undertaken by Campbell Tickell. The test of opinion ended 4th January 2021, and the majority of respondents supported the bringing back in-house option. Work is now underway to understand the implications of bringing the ALMO back in house and this will be reported to Members.

5.5. In the current financial year Right to Buy Sales (RTB) have reduced due to the impact of the Covid-19 pandemic, and sales of around 80 properties are being forecast. This is less than half the number sold in 2019/20 and it is assumed that the number of sales will return to the level in 2019-20 (1.25%) for the next five years of the Business Plan, before dropping back to 1% for the remaining years of the plan. This will reduce the level of rent income achieved and the number of sales will continue to be closely monitored.

5.6. The table at Appendix 1 provides a detailed analysis of the overall proposed 2021/22 budget in order to ensure a balanced budget it is proposed that reserves of £16.494m are drawn down.

5.7 The key budget assumptions used in preparing the HRA budget are as follows:

Rent Income

5.8 Government guidance allows Local Authorities to increase rents by a maximum of CPI plus 1% for the five-year period 2020/21 to 2024/25. CPI at September 2020 was 0.5% and therefore this report seeks approval to increase tenants' rents for all properties will increase by 1.5% in April 2021.

5.9 For those properties where formula rent has not been achieved (app 1,000 properties), if the property becomes vacant the rent can then be increased to formula rent when the property is re-let.

5.10 The budget has been prepared on this basis and would produce an average weekly rent (based on 52 weeks) of:

- General Needs £75.41
- Supported Housing £68.63
- PFI Managed £87.94

Other Income

5.11 Other income is forecast to be around £1.132m in 2021/22, and this is made up as follows:

- Non Dwelling Rents and Other Income includes:
  - Non Dwelling Rents – income from garage rents, rental income from shops and offices, ground rent and telecoms masts
  - Other Income and Contributions – Girobank charges, contributions towards grounds maintenance and solar panel income.
- Recharge to Homelessness – rental income in relation to HRA properties used by Homelessness
- HRA Investment Income – the HRA receives income on balances held within the Council's bank account

- Income from Leaseholders (e.g. contribution to heating, cleaning, and repairs to communal areas)

Private Finance Initiative Allowances

5.12 As part of the PFI negotiations for the Brunswick scheme, the Council agreed to make a capital contribution totalling £24m between 2014/15 and 2019/20 in order to realise longer term savings of c.£48m over the life of the PFI contract, through lower annual Unitary payments. Due to delays to the programme of refurbishment and construction of new dwellings, these payments were spread over a longer period than planned, the final instalments are forecast to be completed by the end of March 2021.

5.13 The three stock management PFI schemes in total generate income for the HRA in that income from rents and PFI credits is greater than the unitary charge payments. This budget proposes to continue to charge PFI rents in line with the original rent policy.

5.14 “Smoothing” reserve funds had been established for all the PFI contracts, these are set up to smooth the costs of the PFI over the duration of the scheme. Following the introduction of self-financing and the removal of the subsidy system, PFI rental income and grant can be used to fund the annual unitary charge, which removed the ongoing requirement to contribute towards a smoothing reserve. The current PFI reserve will continue to remain frozen at £10m as at 31 March 2021 and will be used to part fund the outstanding HRA debt.

Communal Heating

5.15 In general, it is intended that gas charges are set to reflect the actual cost of gas consumed. However, there are reasons why in practice this is difficult to achieve:

- Charges are set based on anticipated charges for the following year and consumption from the previous year
- Some of the heating systems are not efficient in operation – work is ongoing to improve these.

5.16 Communal heating gas is sourced as part of the City Council overall gas contract. The existing wholesale gas contract expires shortly, and latest prices indicate that the current wholesale gas price will reduce by 10% with effect from April 2021. The gas supply to the 2-4 bed blocks are part of a separate contract, and the price has not yet been agreed. However, the number of properties affected is currently c100 and reducing as individual boilers are installed, therefore it is proposed that the same reduction in tariff is assumed.

5.17 In order to ensure that the costs of gas used are recovered through the tariffs charged for tenants and residents on a scheme by scheme basis, it would be necessary to apply a range of adjustments to current heating charges.

5.18 The proposed 2021/22 heating charges for each scheme are shown in Appendix 2 and this also includes both 2019/20 and 2020/21 for comparison purposes.

5.19 There continues to be a programme of capital investment that looks to both improve energy efficiency of homes and reduce carbon. This will include upgrading or replacing existing communal heating equipment. The costs of gas used against the tariffs charged will continue to be monitored to ensure that the rates being charged are aligned.

Depreciation

5.20 Depreciation is a means of charging the cost of an asset to the revenue account over its remaining useful life. In accordance with accounting regulations, it is charged to the HRA as a transfer to Reserves where it can be used to fund capital expenditure or pay off debt. The depreciation charge in 2021/22 is forecast to be £18.435m and this is used to fund capital expenditure.

Debt Financing and Borrowing Costs

5.21 The 2020/21 opening HRA debt is anticipated to remain unchanged at £121.26m, and this is funded through a combination of market loans and c£60m internal funding through the use of reserves. This provides the benefit of reducing the interest costs of borrowing, but it is important that any future investment decisions are carefully considered because if the reserves fall below the level of internally funded debt, then interest charges will increase. This will be considered as part of any investment proposals that require use of the HRA reserves it the scheme appraisal would need to ensure that the increased costs of borrowing are factored into the project costs.

5.22 Following the removal of Councils' HRA debt caps, which means that there is no upper limit to the level of debt that can be held, the only restriction being that the HRA business plan must demonstrate that any debt can be serviced without going into deficit.

5.23 It is currently anticipated that the HRA reserves will fall below the £60m required to continue funding the proportion of debt in 2030/31, this results in an increase in the interest costs charged to the HRA. This assumes no additional capital expenditure over and above what is assumed in the business plan. Unless savings are identified to mitigate the rent reduction, the costs of borrowing within the HRA will increase.

5.24 The HRA is making provision only for the interest repayments in relation to the outstanding debt. Consideration will need to be given to refinancing the debts as and when the debts become repayable this will be considered as part of the treasury management strategy.

Provision for Bad Debts

5.25 Due to a combination of the continued roll out of Universal Credit and Covid 19 and the potential impact on residents' ability to pay their rent the business plan has made provision for an annual increased contribution towards the provision for bad debts. The 2020/21 actual required provision for bad debts is currently expected to be around 1% of rental income, this is in line with the approved budget. The forecast reduced rent collection related to universal credit have not yet materialised, this is in part because of the delays in the rolling out the Universal Credit scheme and also because of the good work undertaken with tenants to provide help and support in order to help tenants manage the impact. Despite the continuing good performance the provision will increase to 1.5% for 2021/22, and will then be increased annually by 0.5% until 2023/24 at which point it will peak at 2.5%, it is then planned to reduce by 0.5% per year until it levels out at 1.5% for the remainder of the plan. This is to reflect the ongoing work that will be done with residents to manage the impact of both the pandemic and welfare reform.

5.26 The full implications of Welfare Reform and the economic downturn and subsequent recovery will be kept under review and the bad debt provision requirements adjusted accordingly.

Northwards Management Fee

5.27 As part of the 2020/21 budget Executive approved an increase in the current financial years management fee to reflect the additional staffing costs that Northwards would incur during the year, which equated to a rise of 1.55%.

5.28 The amount payable for the management of stock currently managed by Northwards will change once the future arrangements have been agreed. For the purposes of the business plan, the fee for 2020-21 has been used, although this has been adjusted to reflect the initial savings identified by Northwards as part of the due diligence work when identifying options. Now the decision has been taken to bring the ALMO back in house work is underway looking at delivery arrangements and once the new arrangements are agreed then the budget will be revised and further approvals sought if necessary.

The other assumptions used for managements costs are:

- Increase to the Repairs and Maintenance budget of £4.2m per annum, rising by CPI inflation.

Other Expenditure

5.29 Details of other expenditure as shown in appendix 1 is as follows:

- Retained Stock Maintenance & Repairs – this covers repairs to offices, environmental works, and some lift maintenance
- Supervision & Management – this covers the City Council costs of managing the HRA, including the cost of staff in Strategic Housing (HRA

related), corporate, central and departmental recharges, and other miscellaneous costs.

- Other management arrangements – stock management fee to the two Tenant Management Organisations (415 properties), Guinness Partnership (171 properties in West Gorton) and Peaks and Plains (11 properties in Alderley Edge)
- Council Tax – on properties held empty for demolition
- Insurance costs – The annual contribution to the HRA insurance reserve
- Revenue Contribution to Capital Outlay – this is where funds held within the HRA are set aside to contribute towards the cost of capital works (in addition to Depreciation).

Inflationary Assumptions

5.30 The HRA budget includes inflationary assumptions in line with the Council's current assumptions in relation to pay and prices. The majority of inflation in the business plan is linked to the consumer price index rate (CPI), which the Office for Budget Responsibility has forecast will dip to 1.9 per cent in 2021, returning to the 2 per cent target thereafter. The business plan assumes a 2% CPI rate for each of the next 30 years.

This inflationary increase will only be applied to costs that are not already known, currently the rent income, the PFI unitary charges, and the Northwards management costs are known for 2021/22, so the 2% will only apply to a small proportion of the HRA costs.

6. Garage Rents

6.1 It is proposed that 2021/22 garage rents increase by 1.5% in line with the proposed increase for dwelling rents, and the impact of the increase is shown in the table below:

	Annual Charge 2020/21	**Weekly Charge 2020/21**	**Proposed Weekly Charge 2021/22**	**Proposed Weekly Increase**
Site Only	£98.80	£1.90	£1.93	£0.03
Prefabricated	£219.49	£4.22	£4.28	£0.06
Brick Built	£257.94	£4.96	£5.03	£0.07

7. Reserves Forecast

7.1 Current projections show the HRA will not generate sufficient annual surpluses over the duration of the business plan to service the debt and maintain a positive balance. Based on the current assumptions within the plan, the HRA continues to hold sufficient surpluses in its reserves to avoid paying an increased amount of interest for the next ten years, but after that it incurs additional costs and moves into an unsustainable position in 18 years' time.

7.3 The table below sets out details of the anticipated HRA reserves position, over the next three years if there are no additional investment proposals above the approved amounts included for RCCO and the contribution towards Brunswick capital costs. Given the low interest rates payable on balances, the HRA is currently using around £60m of its own reserves to internally fund part of the HRA debt rather than take out external borrowing. This provides annual interest savings of around £2.4m per annum. The continuation of this arrangement will need to be considered if any investment proposals are to be funded using reserves. The current plan shows reserve levels falling to zero in 2038/39.

Reserves Forecast 2020/21 to 2023/24

7.4 The table below sets out the forecast reserves position for 2020/21 and the next three years. Based on the November 2020 forecast position the HRA closing reserves are forecast to be £117m, but these are forecast to reduce by over £16m in 2021/22 and further reductions in the following two years. The reductions in reserves relates predominantly to the ongoing capital investment proposals.

Reserve Description	2020/21 (Forecast) £000	2021/22 £000	2022/23 £000	2023/24 £000
General Reserve (including Major Repairs reserve)	80,960	64,466	49,018	53,970
Insurance Reserve	2,059	2,059	2,059	2,059
Residual Liabilities Fund	24,000	24,000	24,000	24,000
PFI Reserve	10,000	10,000	10,000	10,000
Total Reserves	**117,019**	**100,525**	**85,077**	**90,029**

7.5 The Residual Liabilities Fund was established to cover any potential environmental and other risks associated with the large and small scale voluntary transfers that have taken place during the past 15 years. There is no reason to change the level of reserve from that recommended in an independent report previously commissioned, and therefore the fund balance will be held at £24m for 2021/22.

7.6 Within the general reserve there is also a separately held HRA Insurance Reserve. This is required to ensure compliance with the ringfencing requirements. The balance required is determined by the likely liabilities arising from claims settled in any one year, there is an annual contribution to the reserve assumed within the current proposed HRA budget.

8. Conclusions

8.1. The proposals contained in this report seek to ensure that the HRA business plan provides a sound basis of managing the existing stock, whilst also identifying the potential risks that need to be monitored on an ongoing basis.

8.2. The budget proposals will allow for continued service delivery and investment within the existing stock and development of new HRA stock within the confines of the available resources.

8.3. Under the provisions of the Local Government and Housing Act 1989, the Authority must ensure that the HRA does not result in a debit balance. The proposed budget for 2021/22, together with the indicative budget for the following two years, is attached at Appendix 1 and shows this provision being met (before proposed use of reserves to fund capital works).

8.4. The HRA continues to hold a prudent level of reserves that enables continued savings on HRA costs through self-funding part of the HRA debt. There is also an increase in the planned level of capital works over the 2 year period 2021/22 – 2022/23 that is partly funded from the existing HRA reserves.

8.5. Based on forecasts, over the next three years the HRA can continue to fund existing debts, together with the ongoing management and maintenance costs whilst also maintaining a positive reserves position. The reserves provide longer term benefits to the HRA through debt financing, reducing the overall interest payable, and contributing towards increased resources available for further investment in the longer term.

9. Key Polices and Considerations

(a) Equal Opportunities

The rents have been set in line with the Government's guideline rent.

(b) Risk Management

Under the provisions of the Local Government and Housing Act 1989, the Authority must ensure that the Housing Revenue Account does not result in a debit balance. The proposed change in rents and identification of savings within this report, together with regular budget monitoring will assist in managing this risk over the short term. Work will continue to ensure that the HRA remains viable in the longer term.

(c) Legal Considerations

The City Solicitor has reviewed this report and is satisfied that any legal considerations have been incorporated within the body of the report.

Appendix 1

Housing Revenue Account Budget 2020/21 – 2023/24

	2020/21 (Forecast) £000	2021/22 £000	2022/23 £000	2023/24 £000	See Para.
Income					
Housing Rents	(61,027)	(61,617)	(62,813)	(64,034)	5.8
Heating Income	(623)	(533)	(543)	(554)	5.15
PFI Credit	(23,374)	(23,374)	(23,374)	(23,374)	5.12
Other Income	(984)	(1,132)	(1,107)	(1,083)	5.11
Funding (from)/to General HRA Reserve	5,148	(16,494)	(15,448)	4,952	7.1
Total Income	**(80,860)**	**(103,150)**	**(103,285)**	**(84,093)**	
Expenditure					
R&M & Management Fee	21,097	25,415	24,170	23,368	5.27
PFI Contractor Payments	34,084	32,476	33,054	32,303	5.12
Communal Heating	607	532	542	553	5.15
Supervision and Management	5,391	5,254	5,319	5,356	5.30
Contribution to Bad Debts	547	930	1,264	1,611	5.25
Depreciation	17,378	18,435	18,602	18,790	5.20
Other Expenditure	1,393	1,105	931	949	5.29
RCCO	(2,416)	16,241	16,673	(1,539)	5.29
Interest Payable and similar charges	2,779	2,762	2,730	2,702	5.21
Total Expenditure	**80,860**	**103,150**	**103,285**	**84,093**	
Total Reserves:					
Opening Balance	(111,871)	(117,019)	(100,525)	(85,077)	7.4
Funding (from)/to Revenue	(5,148)	16,494	15,448	(4,952)	
Closing Balance	**(117,019)**	**(100,525)**	**(85,077)**	**(90,029)**	

Appendix 2 - Pay by Rents

Property Type	Area/Scheme	Property Numbers Average Estimate 21/22	19/20 Weekly Debit	20/21 Weekly Debit	21/22 Weekly Debit	% Change
Flat 1 Bed	Grove Village Tenants	5	£9.01	£7.48	£6.49	-13%
House 2 Bed	Grove Village Tenants	40	£11.13	£9.24	£8.02	-13%
House 3 Bed	Grove Village Tenants	35	£14.07	£11.67	£10.13	-13%
House 4 Bed	Grove Village Tenants	14	£16.23	£13.47	£11.69	-13%
Flat 1 Bed	Northwards Sheltered - Boiler Supply	80	£6.68	£5.35	£5.09	-5%
Flat 2 Bed	Northwards Sheltered - Boiler Supply	40	£8.11	£6.49	£6.18	-5%
Flat 1 Bed	Northwards Sheltered - Other supply	0	£6.68	£5.35	£5.09	-5%
Flat 2 Bed	Northwards Sheltered - Other supply	0	£8.11	£6.49	£6.18	-5%
2/4 Block	Northwards 2/4 Blocks - All Others	220	£6.74	£5.39	£5.67	5%
2/4 Block - Fuel	Northwards 2/4 Blocks - Fuel Supplement	65	£0.58	£0.46	£0.49	5%
Multistory Flat	Northwards - Multistory - Sandy hill	37	£6.56	£5.25	£5.25	0%
Type A	Northwards - Victoria Square	52	£8.56	£6.85	£5.48	-20%
Type B	Northwards - Victoria Square	51	£9.20	£7.36	£5.89	-20%
Type C	Northwards - Victoria Square	15	£9.90	£7.92	£6.33	-20%
Type D	Northwards - Victoria Square	33	£10.28	£8.22	£6.58	-20%
Type E	Northwards - Victoria Square	13	£13.17	£10.54	£8.43	-20%
Caretaker	Northwards - Victoria Square	1	£15.78	£12.62	£10.10	-20%
Flat 1 Bed	Brunswick Sheltered (Removed)	0	£6.68	£5.35	£5.09	-5%
Flat 2 Bed	Brunswick Sheltered (Removed)	0	£8.11	£6.49	£6.18	-5%

Point of Sale

Scheme	Estimated Property Numbers 19/20	19/20 Charge (per unit of heat)	20/21 Charge (per unit of heat)	21/22 Charge (per unit of heat)	
Grove Village	309	6.96p	5.78p	5.01p	-13%
MECO	288	9.76p	7.81p	7.63p	-2%
Northwards Multistory	444	8.83p	7.06p	7.18p	2%
Victoria Avenue	470	6.52p	5.22p	5.29p	1%
Brunswick Multistory	317	9.76p	9.76p	8.14p	-17%

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Manchester City Council
Report for Information

Report To:	Executive – 17 February 2021 Resources and Governance Scrutiny Committee – 1 March 2021 Council – 5 March 2021
Subject:	Capital Strategy and Budget 2020/21 to 2024/25
Report of:	Chief Executive and Deputy Chief Executive and City Treasurer

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Summary

The purpose of the report is to present the 2020/21 capital programme and forward commitments, alongside the Capital Strategy for the City Council.

Recommendations

The Resources and Governance Scrutiny Committee is requested to note and comment on the report.

The Executive is requested to:

1. Approve and recommend the report to Council, including the projects for Executive approval in section 7.1, and note that the overall budget figures may change subject to decisions made on other agenda items.

2. Note the capital strategy.

3. Note that the profile of spend is provisional, and a further update will be provided in the outturn report for 2020/21.

4. Delegate authority to the Deputy Chief Executive and City Treasurer in consultation with the Executive Member for Finance and Human Resources to make alterations to the schedules for the capital programme 2020/21 to 2024/25 prior to their submission to Council for approval, subject to no changes being made to the overall estimated total cost of each individual project.

The Council is requested to:

1. Note the budget changes for the 2020/21 capital programme noted in section 7.1.

2. Approve the capital programme as presented in Appendix 3 (for £372.2m in 2020/21, £479.6m in 2021/22, £331.8m in 2022/23, £135.1 in 2023/24 and £36.3m in 2024/25) which will require prudential borrowing of £832.9m to fund non-HRA schemes over the five year period for which provision has been made in the revenue budget for the associated financing costs (within limits previously agreed).

3. Note that the profile of spend is provisional, and a further update will be provided in the outturn report for 2020/21.

4. Delegate authority to:

   a) The Deputy Chief Executive and City Treasurer in consultation with the Executive Member for Finance and Human Resources to approve capital expenditure on schemes which have budget approval.

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

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

   d) The Deputy Chief Executive and City Treasurer in consultation with the Executive Member for Finance and Human Resources to add qualifying spend to save projects to the capital budget accordingly up to a maximum of £5m in 2021/22 and then £5m per year thereafter.

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

   f) The Deputy Chief Executive and City Treasurer in consultation with the Executive Member for Finance and Human Resources to agree and approve where appropriate the programme of schemes for the delivery of the corporate asset management programme.

5. Adopt the application of the Manchester Low Carbon Build Standard for the Council's capital projects approved from 2021 onward.

Wards Affected: Various

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. Each project must set achievable carbon reducing targets before being approved. For some projects, the aim of the investment will be to reduce the City's carbon impact, for example the Civic Quarter Heat Network and the Carbon Reduction Programme.

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 the strategy, notably 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	Through investment in areas such as ICT and the City's infrastructure of road networks and other travel routes

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 programme report as presented will require £832.9m (all non-HRA) of prudential borrowing over the period 2020/21 to 2024/25, all for Manchester City Council projects. Provision has been made in the proposed revenue budget for the associated financing costs, and for the revenue contributions to capital outlay (RCCO) which are forecast to be received from the General Fund and HRA.

Financial Consequences – Capital

For the City Council programme the latest budget for 2020/21 is £372.2m, of which £231.9m is forecast to be funded from borrowing. Across the forecast period 2021/22 to 2024/25, the budget is £982.8m, of which £601.0m is forecast to be funded from borrowing.

Contact Officers:

Name: Carol Culley
Position: Deputy Chief Executive and City Treasurer
Telephone: 0161 234 1647
E-mail: carol.culley@manchester.gov.uk

Name: Helen Seechurn
Position: Deputy City Treasurer
Telephone: 0161 234 1017
E-mail: helen.seechurn@manchester.gov.uk

Name: Tim Seagrave
Position: Group Finance Lead – Capital and Treasury Management
Telephone: 0161 234 3459
E-mail: tim.seagrave@manchester.gov.uk

Attachments

Appendix 1: Capital Approval Process flowchart
Appendix 2: Proposed Amendments to the Capital Budget
Appendix 3: Detailed Capital Programme 2020/21 – 2024/25
Appendix 4: Comparison of Capital Financing Requirement to External Debt and Internal Borrowing

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 12 February 2020 (Capital Strategy and Budget 2019/20 to 2023/24)
Report to Council 6 March 2020 (Capital Strategy and Budget 2019/20 to 2023/24)
Report to the Executive 11 March 2020 (Capital Programme Update)
Report to the Executive 3 June 2020 (Capital Programme Outturn Position 2019/20)
Report to the Executive 3 June 2020 (Capital Programme Update)
Report to the Executive 3 July 2020 (Capital Programme Update)
Report to the Executive 29 July 2020 (Capital Programme Monitoring 2020/21)
Report to the Executive 9 September 2020 (Capital Programme Update)
Report to the Executive 14 October 2020 (Capital Programme Monitoring 2020/21)
Report to the Executive 14 October 2020 (Capital Programme Update)
Report to the Executive 11 November 2020 (Capital Programme Update)
Report to the Executive 20 January 2021 (Capital Programme Update)
Report to the Executive 17 February 2021 (Capital Programme Monitoring 2020/21)

1 Introduction

1.1 As part of the suite of budget reports submitted on this agenda, Executive and Council are recommended to approve the updated Capital Strategy for 2020-25. This report details the latest position on the Strategy, the governance process and progress on delivery.

1.2 The capital strategy provides the medium to long term context in which capital investment decisions are made, governance arrangements and the approach to investments and Treasury Management Strategy, which is elsewhere on the agenda.

1.3 Section 3 of the report sets out the priority areas for future investment, including carbon reduction and housing. Schemes and projects are added to the budget at the point they have been developed and agreed as part of the checkpoint process.

2 The Impact of COVID-19

2.1 The COVID-19 pandemic has, and will continue to have, a wide-reaching impact on the Council’s capital programme. The early impact has been highlighted in previous reports to the Executive, with an initial pause across construction activity and work resuming on major sites relatively quickly.

2.2 The required social distancing measures reduces productivity and increases cost as the work programmes take longer to complete and is likely to continue for the foreseeable future. The inflationary impact of COVID-19 will be absorbed through existing project contingencies where possible and further approvals sought if this proves insufficient.

3 Strategic Context

3.1 COVID-19 has had a major impact on the global and national economy. The UK’s economy is forecast to contract by 11.3% during 2020, the largest fall in output in 300 years. Increased public spending to tackle COVID-19's health and economic impacts and the reduction in receipts have resulted in the Office for Budget Responsibility (OBR) projecting the public sector deficit to peak at £394bn (19% of GDP) in 2020, its highest level since 1944/45.

3.2 As well as the short term increase in public spending on health and the economy , the UK Government has announced a number of new funding programmes to support economic recovery which have been announced during summer 2020 and in the November 2020 Spending Review. Although some funding such as the Levelling Up Fund will be shared across all local authority areas, others will be competitive and it will be important for Manchester to have a well-developed pipeline of projects which can demonstrate existing financial support from the public or private sector.

The Greater Manchester Context

3.3 The ambition is for Greater Manchester (GM) to become a financially self sustaining region at the heart of the Northern Powerhouse. GM have been working hard with Government to turn that vision into a reality. The priorities around growth and reform are distinctive and evidence based, and the City Region is one of the few economic geographies that can be a national engine for growth for the North and the UK as a whole.

3.4 GM have published a one year "Living with Covid Resilience Plan" to act as a bridge with the GM Strategy which is due to be formally refreshed in 2021. The plan sets out the ambition to 'Build Back Better' with actions across a range of areas including the economy and economic stimulus, cycling and walking, integrated public transport, housing and public buildings and digital and health. The GM Infrastructure Programme seeks to influence priorities delivered by others as well as directly funding schemes. These, along with the GM Industrial Strategy, Housing Strategy and the developing Spatial Framework will provide frameworks for future investment decisions.

Our Manchester Strategy for the City

3.5 Manchester continues to be an ambitious city with a strong track record of delivery through partnerships and effective strategic leadership, improving the quality of life for residents and delivering the vision of making Manchester a world class city. In response to the COVID-19 pandemic, the Our Manchester Forum have overseen a reset of the Our Manchester Strategy which will be reported to Executive in February and Full Council in March 2021. The reset is based on the findings of extensive engagement programme which highlighted priorities including: young people; economy; health; housing; environment; and infrastructure; with equality and inclusion as a cross-cutting theme.

3.6 The reset will also restate the existing vision for Manchester to be in the top flight of world class cities by 2025, when the city will:

- have a competitive, dynamic, sustainable and fair economy that draws on our distinctive strengths in science, advance manufacturing, and culture, creative and digital businesses – cultivating and encouraging new ideas
- possess highly skilled, enterprising and industrious people
- be connected, internationally and within the UK
- play its full part in limiting the impacts of climate change
- be a place where residents from all backgrounds feel safe, can aspire, succeed and live well
- be clean, attractive, culturally rich, outward-looking and welcoming

3.7 And to be internationally competitive the Council will need to:

- deliver on meeting the need to reduce dependency and improve the productivity outcomes for residents – creating a more inclusive economy for the city's residents;
- embrace the need to be a zero-carbon exemplar - as part of the city's aims to be zero carbon by 2038 at the latest;

- invest in, and strengthen, the Council's existing economic and infrastructure asset base;
- ensure that there is a diverse housing offer for the city including homes that are affordable to those households on low and average incomes; and
- support the city's cultural and sporting offer.

The Manchester Economic Recovery and Investment Plan

3.8 In direct response to the economic challenges of the COVID-19 pandemic, the Council has worked with key partners in the private and public sectors to develop an ambitious plan for a more inclusive and sustainable recovery. The Manchester Economic Recovery and Investment Plan was officially launched on 25 November 2020 with the full support of local businesses. It includes 50 projects with a total investment value of £800m. The projects include a number thematic areas including skills, zero carbon, digital, culture and transport, but with four key strategic areas of investment which will drive economic growth:

- **Innovation**: Building, in part, on the city's work across its universities, Manchester has the potential to leverage Greater Manchester's science, research, innovation and teaching asset base to create new largescale clusters of high-value economic activities.
- **Manchester City Centre and Urban Realm**: investment in public space and mobility will capitalise on the City's success in this area and make the area yet more attractive to investors.
- **Zero Carbon Housing Retrofit**: The UK Government has already committed to a net zero carbon emissions target by 2050 and through hosting the 26th UN Climate Change Conference of the Parties (COP26), there is a clear focus on zero carbon and climate resilience. This project provides an opportunity to link new investment to local employment and deliver skills initiatives alongside delivering long-term investment in zero carbon.
- **North Manchester**: Two major developments provide the basis for the social and economic transformation of an area. A new North Manchester General Hospital with a health and wellbeing campus and Northern Gateway; a major housing and regeneration initiative.

Other City Council Priorities

3.9 A number of other significant developments will inform the approach to capital investment within the city. These include:

- The Our Manchester Industrial Strategy,
- the Manchester Residential Growth Strategy and Affordable Housing Strategies with the commitment to supporting overall and affordable housing growth
- Maximising new commercial development opportunities,
- Delivering on the outcomes of the reviews of the Highways Estate, the Operational Built Estate and the ICT Estate.

- The Council's declaration of a Climate Emergency in July 2019 and our Climate Change Action Plan with the objective of halving the Council's direct emissions by 2025 and to play our full part in supporting the city to do the same.

4 Development of the Capital Strategy

4.1 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.

4.2 Capital investments will be made in line with the Capital Strategy priorities. These decisions are within the economic powers of the Council and have strong governance arrangements that underpin decision making. The Council will not invest in capital schemes purely for yield, although some schemes will be financed all or in part from returns on investment. Usually investment will be within the local authority area although there may be exceptions if it is within the relevant economic area and meeting a key regeneration or zero carbon objective.

4.3 There will also be:

- externally funded programmes such as those for schools or The Factory;
- schemes funded from ring-fenced resources such as those within the Housing Revenue Account (HRA); or
- required investment from Council resources, including capital receipts, to support strategic priorities such as investment in the highways infrastructure, delivery of the ICT Strategy, asset management and the refurbishment of the Town Hall.

4.4 The capital priorities from 2020/21 have been updated in the light of the priorities set out in Section One of the report and are set out below.

- ***Investment that is catalytic*** in supporting economic growth, housing growth, job creation, reducing carbon emissions, transforming health, economic and social outcomes, and creating further investment in the city and supporting economic recovery of the city following the COVID-19 pandemic.

- Supporting the declaration of the Climate Emergency. The Council has a clear target to at least ***halve its carbon output by 2025***. Investment plans must consider the carbon impact alongside financial impact. The costs of new build programmes to higher environmental standards, following the introduction of the Manchester Low Carbon Build Standard endorsed by the Manchester Climate Change Agency, and meeting the needs of the Local Plan and planning requirements (including investment in green spaces and place such as trees and green walls) need to be considered alongside any revenue implications. Procurement practices will ensure carbon is a focal point. The majority of the Council's carbon emissions are from the existing corporate estate and housing stock and significant investment will be required to bring this up to carbon efficient standards. This represents a major opportunity to both establish Manchester as a centre for green technology and services, and to work with local skills providers.

- ***Deliver new affordable housing*** to meet the increased delivery target from 5,000 Affordable Homes to a minimum of 6,400 Affordable Homes between April 2015 and March 2025.

- Developing a more ***inclusive economy*** as set out within the Our Manchester Industrial Strategy and reiterated in the Economic Recovery and Investment Plan. This will require investment on an invest to save basis in existing Council assets and strategic investment to unlock wider commercial and residential developments. There is an opportunity for new developments in the city such as the Northern and Eastern Gateways to become inclusive and zero carbon exemplars, but they need to be adequately resourced to realise the full social, economic and environmental benefits. The use of progressive procurement policies and social value will ensure the maximum benefit to residents from these new developments.

- Regeneration in ***North Manchester.*** This includes the North Manchester General Hospital redevelopment, anchoring a health and wellbeing campus as proposed in the Economic Recovery and Investment Plan. This, alongside the Northern Gateway should create the potential to support a growing city, create new housing and regenerate the area.

- Investment in the ***city centre*** as a key driver of growth and jobs for the city and one of the four strategic areas of interventions within the Economic Recovery Plan. Whilst a significant amount of investment will be from the private sector, public sector investment is needed in core areas such as public realm, in order to stimulate further private investment and growth in those areas.

- Investment in ***cultural and creative industries*** which make a major contribution to Manchester's international reputation and role as a destination for cultural tourism and are a growing element of the city economy. Given the importance of these industries and the particular challenge that people working in them have faced due to the pandemic, both short- and longer-term support is needed.

- ***Market intervention*** where the existing market outputs do not support the Council's wider aims. This is likely to be focussed on areas such as health and social care such as residential and intermediate care and will require significant partnership support. This may be short term in nature, to support the development of sustainable business plans, or of a longer nature to support market change.

- Ensuring the Council's ***corporate estate is fit for purpose***. This includes investment to reduce the Council's carbon output and in relation to the current condition of the estate. This is particularly important for the leisure estate where the assets developed for the Commonwealth Games are now nearly 20 years old, and also in the social care estate where the budget challenges faced by providers has led to a lower level of investment on maintenance than expected.

- ***Investment in digital infrastructure, data management, and the application of new approaches.*** These are now key elements of the Manchester economy and reflected in the new draft Manchester Digital Strategy – "Creating an Inclusive, Sustainable & Resilient Smart City". The provision of digital infrastructure and the application of digital technology is needed to capitalize on private sector investment and compete economically on the national and international stage. It can also drive greater inclusion for residents and workers and projects have the potential to find technological solutions to health, mobility and environmental challenges by utilising the power of connected devices.

- Continued Investment in ICT infrastructure as part of being a ***well-managed Council***. Increased digitisation, and the need to move from legacy ICT platforms will mean investment is required, alongside work on ICT resilience, network capability, and key operating systems.

4.5 Taking the above into account the Council will need to maximise its investment capacity and will focus on the following areas:

- to support employment growth through a strengthening and diversification of the economic base and efficient use of land;
- investment in new and upgraded transport infrastructure including delivering the Highways Investment Programme;
- to provide an expanded, diverse and affordable housing offer, creating the conditions to increase the supply of affordable and social housing, and that all new homes in the city are supported by good local public services and an accessible public transport infrastructure;
- to support new and expanded high quality primary and secondary school facilities for a growing population;
- to ensure that there is a sufficiency of facilities in the city to support the demands within our adults and social care system;
- securing investment for an internationally competitive cultural and sporting offer and sustaining core assets such as parks, leisure facilities and libraries for Manchester residents;
- to support businesses and residents to create thriving district centres with appropriate retail, amenities and public service offer; and
- to promote the role and continuing growth of the City Centre as a major regional, national and international economic driver.

4.6 Underscoring all of the above will be the need to pursue interventions that both encourage and deliver the city's zero carbon goals.

4.7 The above priorities will be considered against the criteria for the Government's Levelling Up Fund and the UK Shared Prosperity Fund, once available. The Levelling Up Fund of £4bn for England will invest in local infrastructure that has a visible impact on people and their communities and is aimed at supporting economic recovery, and further details on the Fund are expected in early 2021. The UK Shared Prosperity Fund is expected to be on average £1.5bn a year across the UK, to match the receipts from EU structural funds which have previously been received. A pilot programme ahead of its introduction is expected to be announced in 2021/22.

4.8 The Council will seek to maximise the use of all other available funding sources, including Green Homes grant, the Getting Building Fund and the Public Sector Decarbonisation scheme. Similarly, access to EU programmes which can continue to be used following the ending of the transition period, such as Horizon Europe which is the EU's research and innovation programme, could play a significant role in supporting the Recovery Plan.

4.9 This report includes identified pipeline projects which have been identified to support the delivery of the Council's objectives and may require capital investment. These projects do not form part of the approved capital programme but will be added as they are developed and approved. Likewise a number of programmes, such as highways and schools maintenance, are funded via government grant and these will be brought into the programme when the funding is confirmed.

5 Carbon Reduction

5.1 The City Council has declared a climate emergency and set an aim to become carbon neutral by 2038, requiring the Council to reduce its direct carbon dioxide emissions by at least 50% by 2025. This will require reducing carbon to be embedded across all planning and investment. Changes in how buildings are operated alongside behavioural changes such as recycling will be important, but will need to be supported by capital investment aimed at reducing carbon.

5.2 The existing approved capital programme contains significant investment in carbon reducing measures, for example:

- the Street Lighting replacement programme is replacing the lights with LED lights with lower emissions;
- the Civic Quarter Heat Network is currently being built, which will allow Council buildings to be powered through cleaner energy;
- the purchase of electric refuse collection vehicles; and
- the Carbon Reduction Programme with building-specific projects across the Council's estate to reduce the carbon output.

5.3 There will also be specific investment required with the forecast additional projects identified in this report including:

- moving to a sustainable transport system across the City, including investment in cycle lanes and electric charging points;
- investment in the Corporate Estate to improve energy efficiency given the estate accounts for roughly 70% of the Council's carbon emissions;
- retrofit works to the Council's housing stock to move towards it being carbon neutral; and
- further investment in green energy solutions.

5.4 In recognising the importance of capital investment to achieving the carbon neutral date of 2038, it is also important to recognise the financial challenge that this creates. This means that capital investment aimed at reducing carbon must focus on projects which will make the biggest difference.

The Manchester Build Standard

5.5 To mitigate the impact of capital projects on the environment. it is proposed that all Manchester City Council projects should use as a basis for their specification a Low Carbon Build Standard to mitigate the impact on the environment. The Manchester Low Carbon Build Standard, created by the Council's Capital Programmes team, provides a stepping-stone which will enable the Council to move towards the 2023 target date for all new developments being zero carbon and climate resilient. The Standard sets minimum expectations which should be followed by all MCC schemes, with zero carbon exemplar schemes actively encouraged.

5.6 The Standard achieved the endorsement of the Manchester Climate Change Agency in December 2020 and is being applied across the Council's capital programme. It has been supported by several external partners including the North West Construction Hub Board and the National Association of Construction Frameworks (NACF). The Standard will be reviewed and updated accordingly by June 2021 and six-monthly thereafter.

5.7 It is requested that the Council approves the adoption of the Manchester Low Carbon Build Standard for the Council's capital projects.

6 Governance and Asset Management Planning

6.1 Capital expenditure is spent on the purchase or improvement of assets that have a long-term value to the Council, such as land and buildings. The Council and its residents receive a benefit from the capital expenditure invested in the assets for a long period of time (i.e. more than a year). It is the Council's policy to capitalise any expenditure, over a total value of £10,000 which fulfils these criteria.

6.2 The potential capitalisation flexibilities, such as the use of capital receipts to support revenue expenditure for service transformation have not been utilised. This will be reviewed during 2021/22, in the light of the significant change the Council will have to deliver and the continued revenue budget challenges.

6.3 The capital expenditure and investment decision making process has five distinct stages to cover project initiation, project design and costs, democratic process, capital expenditure approval and monitoring/review. The process is shown at Appendix 1. For any project seeking capital expenditure approval a business case must be drafted, covering:

- ***Strategic Fit:*** how the project links to the City Council's strategic priorities, social value, and any statutory requirements.
- ***Economic Value:*** what economic value the project will provide to the City, including social value.
- ***Financial Implications:*** funding model, with evidence of cost and capital and revenue implications
- ***Risk and Deliverability:*** timescale for delivery and identification of risks to the project, including legal issues.
- ***Outcomes to be delivered:*** what the project will achieve, and the benefits that will be realised. This includes social value, and impact on the low carbon strategy.

6.4 The business cases must be agreed by the relevant directorate board and supported by the relevant Executive member prior to submission to the Strategic Capital Board chaired by the Deputy Chief Executive and City Treasurer. The Board will then make recommendations to members.

6.5 The governance process for approving capital investments is the same. Any investment proposal is peer reviewed and within the Council there are commercial and public sector professionals who will assess any proposals including for internal and external risks and to establish investment structures to mitigate any identified risks. Where required external advice is commissioned to perform due diligence or to support the creation of the business case. External advisors are also used for material projects that have a level of risk associated with them.

6.6 The capital programme is managed on a rolling basis and updated as new schemes are developed or there are material changes to existing schemes. The Strategic Capital Board receives monthly updates from each directorate board detailing financial forecasts, risks, and expected outcomes. The Executive receives monthly reports to approve any changes and a quarterly monitoring report.

6.7 The approved capital programme includes several asset management programmes for the operational estate, housing, highways and schools. The Executive Member Estates Board is responsible for the strategic direction and decision making for the operational estate, including estate asset management and estates transformation. These decisions support the activity contained within the Asset Management Programme which forms part of the capital budget. The Council also holds assets for expected future regeneration projects. Work is undertaken to ensure that these assets are maintained. The asset such as land, could also gain or lose value in the intervening period, but the overarching aim is to release the value in the asset, which will be wider than purely financial considerations, once the regeneration has been completed.

6.8 There remains a strong focus on achieving value for money. The Capital Programmes function was peer reviewed in 2018 by the Local Government Association. A further assurance review is planned for 2021/22 to ensure that practices remain robust and deliver best value.

6.9 The format of the monitoring was updated in 2019/20 to enable the Executive to monitor spend against the life of the project. It will be further reviewed in advance of the 2021/22 to ensure it is easy to use and is less cumbersome to produce.

7 Changes to the Capital Programme

7.1 There are a number of schemes which have been developed and are ready for inclusion in the capital programme which are summarised below. A summary of the schemes, funding and profile of spend can be found at appendix 2.

For Executive approval:

- Highways: City Centre (Triangle) and Wythenshawe Active Travel Fund Schemes. Transport for Greater Manchester (TfGM) has confirmed Manchester Highways has been successful in its bid for Active Travel Fund (ATF) Tranche 2 funding. The City Centre (Triangle) and Wythenshawe Cycleway schemes were first and second ranked as part of TfGM's project prioritisation exercise and awarded £4m and £1.5m of ATF funding respectively. Both will seek to introduce permanent infrastructure to increase sustainable travel by encouraging more residents to walk and cycle. The City Centre (Triangle) scheme includes routes and infrastructure to support active travel between travel hubs within the city centre including Deansgate station, Piccadilly station and Victoria station. This will link the Triangle project to the Northern Quarter Mayors Challenge Fund (MCF) projects, Deansgate and Whitworth Streets for All projects and provide a continuous route through the city linked to other key walking and cycling schemes to maximise investment. The Wythenshawe Cycle Scheme will improve cycling links between Wythenshawe town centre and within Manchester City Centre. The deadline for scheme delivery set by the Department for Transport is currently March 2022. A capital budget increase of £5.5m in 2021//22 is requested, funded by External Contribution.

- Growth: Public Sector Decarbonisation Scheme. In July 2020 the Chancellor announced £1bn of grant funding would be made available as part of a range of measures to support economic recovery in response to COVID-19 for investment in decarbonisation of public estates. The Public Sector Decarbonisation Scheme (PSDS) is focused on energy efficiency in public buildings and in particular measures which decarbonise heat. The Council bid totalled £23m, with a projected carbon saving of 2,303 tCO2e per annum. The bid was developed with energy services partner Ameresco and covers 13 buildings with a range of proposed carbon reduction technologies, including Solar PV, Heat Pumps and Battery Storage. A capital budget increase of £0.041m in 2020/21 and £22.943m in 2021/22 is requested, funded by Government Grant, alongside a capital budget increase of £0.070m in 2020/21 is requested, funded by RCCO.

- Private Sector Housing: Social Housing Decarbonisation Fund. The Council has successfully bid for funding from the Department of Business, Energy and Industrial Strategy (BEIS) for low carbon retrofit works to social housing, which One Manchester will match-fund and decarbonise 150 housing on the Grey Mare Lane estate in Beswick. A capital budget increase of £0.075m in 2020/21 and £3.045m in 2021/22 is requested, funded by Government Grant.

- Additional Disabled Facilities Grant (DFG). The Council has been awarded additional DFG by MHCLG. There are no timescales for spending the grant, other than MHCLG requests it be spent at the earliest opportunity, recognising the challenge that COVID-19 has created for adaptation programmes. A capital budget increase of £1.007m in 2021/22 is requested, funded by Government Grant.

8 Proposed Capital Programme from 2021/22

8.1 The capital programme 2021/22 to 2024/25 includes the continuation of the existing programme and approved schemes. The pipeline priorities and externally funded programmes and schemes will be added as they are developed and approved. The programme is based on that forecast as at the end of December 2020, which is reported elsewhere on the agenda. Details of the potential pipeline schemes are also contained below

8.2 The budget for 2020/21 is £372.2m. The profile of capital expenditure will be updated as projects develop through the design stage or if the resource position changes. This is reported through to Executive in the regular Capital Update and Monitoring reports.

8.3 Current inflation forecasts remain varied, reflecting the complex market situation that exists due to COVID-19 and other factors. Some forecasts suggest nationally inflation could be negative in the near term before increasing significantly, others see a more gradual rise. Estimates for 2021 the North West are between 0.5% and 3.5%, and it is important to note that the inflationary pressures faced by any project may vary due to size, value or procurement route. Given these pressures, there remains £17.3m of the inflation budget established last year to be used to support projects where inflation cannot be contained within the existing budget.

8.4 The proposed programme is summarised in the table below:

	2020/21 budget £m	**2021/22 budget** £m	**2022/23 budget** £m	**2023/24 budget** £m	**2024/25 budget** £m	**Total** £m	***Total 21/22-24/25*** *£m*
Manchester City Council Programme							
Highways	53.0	63.6	2.7	2.2	0.0	**121.5**	***68.5***
Neighbourhoods	10.4	30.0	29.9	13.4	0.0	**83.7**	***73.3***
Growth	87.6	152.1	80.9	33.1	0.0	**353.7**	***266.1***
Town Hall Refurbishment	34.6	63.6	88.2	57.5	36.2	**280.1**	***245.5***
Housing – General Fund	13.9	18.8	11.2	12.7	0.1	**56.7**	***42.8***
Housing – HRA	16.1	40.2	45.5	3.2	0.0	**105.0**	***88.9***
Children's Services (Schools)	37.2	39.0	44.9	0.0	0.0	**121.1**	***83.9***
ICT	3.8	8.8	12.9	7.7	0.0	**33.2**	***29.4***
Adults, Children's and Corporate Services	115.6	63.5	15.6	5.3	0.0	**200.0**	***84.4***
Total Programme	**372.2**	**479.6**	**331.8**	**135.1**	**36.3**	**1,355.0**	***982.8***

8.5 Please note that these figures shown here do not include the proposed additional investment for Collyhurst, which is subject to a separate report to Executive. Should this be approved, the budgets and associated funding will be higher.

8.6 The programme budget for 2021/22 should be considered provisional, and it is fully expected that it is likely to be developed over a longer period of time as work develops, designs are finalised and work programmes agreed.

8.7 Further details of the major schemes included are set out in this report and a full list of the projects and the budget split by financial year is shown at appendix 3. The programme will be updated at the May meeting of the Executive to reflect the final outturn position for 2020/21 and will change as new projects are approved.

9 Highways

9.1 The Highways capital programme consists of the investment in the City's highways network, including work on bridges, cycle paths and bus priority lanes. The programme is forecast to be £68.5m between 2021/22 and 2024/25 and the primary schemes within the programme are detailed below.

9.2 The Highways Maintenance Investment Programme (£28.7m) will continue. The programme will seek to implement longer term preventative maintenance measures, which would result in the Council's highways assets being improved and reducing maintenance costs. This includes works to drainage systems, large patching works, carriageway works and repairs to footpaths.

9.3 The Bridge Maintenance project (£6.7m) will continue to ensure that the Council's bridge assets across the highways network are maintained according to statutory guidelines.

9.4 The Chorlton Walking and Cycling Scheme (£9.5m) is well underway and will create a 5 km route from Chorlton Park to Manchester, linking with existing routes and continuing into the city centre. The Norther Quarter Scheme (£9.6m) has also started and will create an east/west walking and cycle route between Piccadilly Station and Victoria Station via the Northern Quarter, and seeks to make the streets safer, greener and better for everyone, and especially for those on foot or bicycle. Other externally funded walking and cycling schemes include Beswick Active Neighbourhood, Fallowfield Loop, Rochdale canal, Northern Gateway route and the Levenshulme Active Neighbourhood improvements and all those schemes have either started already or will start in 2021.

9.5 The Public Realm programme (£0.9m) will support the maintenance and development of the Council's public realm assets.

9.6 The Street Lighting Private Finance Initiative (PFI) project (£0.8m) will deliver the procurement and installation of modern, state of the art, low energy light emitting diode (LED) street lighting technology. The scheme will provide revenue savings due to reduced energy charges, and lower maintenance costs for the Council's street lighting.

9.7 The significant capital investment programme will improve road safety as wherever possible the changes to the highway are made to support it, for example the Great Ancoats Street where accident prevention is a key aim of the project. Similarly, the programme of cycling and walking improvements funded through the GM Mayor's Challenge Fund will see significant road safety benefits from better road crossings, segregated cycle lanes and additional pedestrian facilities.

Potential Future Investment

- A significant proportion of the Highways Capital programme is funded from government grant and will be confirmed once the funding has been allocated.

- Alongside the recent public consultation of the draft City Centre transport strategy, investment is proposed on key transport corridors across the City Centre using the existing budget for other highways improvements.

- A review of the current Highways Investment Plan, due to be substantially spent by the end of 2021/22, is underway. The outcomes will be used to support the business case for further investment to continue to improve the highways network and footways which may be required to compliment government grant funding.

- The closure of Deansgate will be progressed, beginning with consultation and the implementation of an experimental traffic order so the proposals can be fine-tuned.

- Investment which prioritises improvements to the network to support active travel and reallocate road space to walking and cycling will continue to be pursued, with the development of a number of schemes approved through the GM Mayor’s Challenge Fund. These works supplement other proposals which promote sustainable forms of transport across the city.

- Further investment is planned in road safety and security measures.

- Investment to support the establishment and delivery of several major projects where highways infrastructure will play a key role. Currently proposals include consideration of HS2, Etihad Campus, Northern Gateway and the Airport and the Bee Network along with localised pinch points and corridors.

10 Neighbourhoods

10.1 The Neighbourhoods capital programme includes the investment required to support the City’s neighbourhoods and well-being, such as libraries and leisure centres. The programme is forecast to be £73.3m between 2021/22 and 2024/25, as shown in the table below, and the primary schemes within the programme are also detailed below:

	2020/21 budget £m	**2021/22 budget** £m	**2022/23 budget** £m	**2023/24 budget** £m	**2024/25 budget** £m	**Total £m**
Environment and Operations	6.7	6.4	0.4	0.0	0.0	**13.5**
Leisure	3.4	22.5	29.5	13.4	0.0	**68.8**
Libraries	0.3	1.1	0.0	0.0	0.0	**1.4**
Total Neighbourhoods	**10.4**	**30.0**	**29.9**	**13.4**	**0.0**	**83.7**

Environment and Operations

10.2 As part of the waste and street cleaning contract, a loan will continue to be available to the contractor to upgrade vehicles (£0.9m), including to make them clean air compliant, on a spend to save basis. The loan will be repaid through reduced service costs. The purchase of electric refuse collection vehicles (£4.1m) will continue, replacing the standard diesel vehicles and making significant reductions in carbon emissions.

Leisure

10.3 The Parks Investment Programme (£11.4m) will focus on improvements to the quality of the community and local parks, green spaces and allotments across Manchester.

10.4 Investment will continue at Abraham Moss leisure centre (£22.6m). These works will reduce revenue costs associated with the upkeep of the building and provide long-term savings to the Council.

10.5 The refurbishment of the Manchester Aquatic Centre (£29.7m) will return the building to a compliant venue for all current uses, to modern standards, and will incorporate carbon reducing technologies.

Potential Future Investment

- The Economic Recovery and Investment Plan highlights the importance of culture to Manchester. Potential investment to ensure that there is space available for cultural and creative industries, alongside supporting existing cultural infrastructure is being reviewed, with an intention to leverage external funding where available.

- The development of New Smithfield Market with work continuing to understand the scope of such works and the implications for the Council.

- The continued development of the leisure estate, with the introduction of new leisure assets as well as large scale improvements to existing facilities which will also contribute to the low carbon aims of the Council. The funding will be mixed with the joint management of Waterfall funding with Sport England, the ability to access other national funds and some use of City Council resources. This is expected to include the National Cycling Centre refurbishment, Manchester Aquatics Centre refurbishment, and the Hub at Hough End.

- Further investment in the library estate, including the refresh of neighbourhood libraries and the self-service system, to ensure that communities can continue to have wide access to library services

- Parks investment linked to the approval of the Parks Development Plan. Funding is already held against this programme and details of individual schemes will be brought forward.

- Redevelopment of the North Manchester General site will form part of the regeneration of North Manchester, linking with the planned Northern Gateway investment as well as the provision of the new hospital and associated health facilities. Initially this may be focussed around Crumpsall Park. Such investment will be a priority for the Council against any source of regeneration finance that the Government may bring forward.

11 Growth

11.1 Growth includes the programme for the Council's property assets, and investment in neighbourhood development and cultural facilities. The programme is forecast to be £266.1m between 2021/22 and 2024/25, as shown in the table below, and the primary schemes within the programme are also detailed below:

	2020/21 budget £m	**2021/22 budget** £m	**2022/23 budget** £m	**2023/24 budget** £m	**2024/25 budget** £m	**Total £m**
Culture	36.5	56.0	31.9	0.0	0.0	**124.4**
Corporate Property	19.1	52.3	13.8	10.0	0.0	**95.2**
Development	32.0	43.8	35.2	23.1	0.0	**134.1**
Total Growth	**87.6**	**152.1**	**80.9**	**33.1**	**0.0**	**353.7**

Culture

11.2 The continuing Factory project (£84.1m) will create a cultural facility within the St John's area of the City Centre.

Corporate Property

11.3 The Asset Management Programme (£12.6m) will ensure that the Council's assets, including its elite sporting assets, are well-maintained.

11.4 In addition to this programme the Hammerstone Road Depot project (£18.1m) will continue. This investment will allow other sites to be released and reduce the maintenance costs associated with these sites.

11.5 The continuing Carbon Reduction Programme (£20.2m) will be used to develop schemes to reduce carbon emissions including the use of combined heat and power plant, solar photovoltaic panels, and the use of LED lighting within the Council's estate.

Development

11.6 The Strategic Acquisitions budget (£1.3m) will provide funding for the Council to acquire key sites throughout the city, provided they become available, which can further the aims and objectives of the corporate plan particularly with regard to housing and regeneration.

11.7 The Sustaining Key Initiatives (£11.5m) investment provides the Council with the capacity to intervene to ensure key commercial, operational and mixed use development priorities are secured in the city. It is expected that any intervention would be done primarily on an investment basis.

11.8 The Northern Gateway investment plan (£16.6m) will lead to significant residential growth in the neighbourhoods of New Cross, Lower Irk Valley and Collyhurst through land assembly and the provision of core infrastructure, with the regeneration completed with Far Eastern Consortium who are the Council's joint venture partner. Alongside this, works will progress on the grant-funded Housing Infrastructure Fund (£50.8m) which will support land remediation, investment in utility networks, flood risk issues, and create new roads, footpaths and cycleways to prepare the Norther Gateway area for development.

11.9 Works will continue on the refurbishment of the existing National Squash Centre to create the House of Sport (£7.3m).

11.10 Public realm investment will continue throughout the city centre, with schemes at the Medieval Quarter (£1.9m), providing public realm improvements in the north of the city centre around the River Irwell, Manchester Cathedral, Cheetham's and Victoria Station, including the Glade of Light memorial; Lincoln Square (£1.2m) supporting the wider redevelopment of the area and providing a more distinctive identity for the square; and Piccadilly Gardens (£1.6m).

11.11 The Civic Quarter Heat Network (£4.7m) project aims to provide a heat network throughout the Council owned property estate in and around the Town Hall complex and to developments owned by the private sector in the vicinity of the Town Hall. This will reduce energy costs, and also help achieve the City's aim of reducing carbon emissions.

Potential Future Investment

11.12 The programme includes the Asset Management Programme (AMP) which is kept under review to ensure it is a comprehensive programme for all Council assets. This may include bringing in assets such as City Council owned schools and the maintenance of previous Sure Start centres and care homes, with the existing leasing arrangements with reviewed to ensure the ongoing operation of the sites.

11.13 Investment to reduce the Council's carbon footprint and bring the estate up to a minimum energy performance certificate (EPC) rating of C, based on a strategy of Reduce, Produce and Connect. This will reduce demand for energy, through design measures e.g. LED lighting, produce low carbon energy through solar panels and ground source heat pumps, and connect schemes together by gathering and sharing data to examine how energy demand can be further reduced. Works will be aligned to the AMP repairs schedule where possible, alongside existing programmes such as the Carbon Reduction Programme and Civic Quarter Heat Network. Investment opportunities into sustainable energy supplies for the City are being actively explored in line with the Council's Climate Change Action Plan.

11.14 The Growth pipeline is wide and varied and consideration of appropriate investment strategies will be key. This may include using Council-owned land to leverage investment from partners, rather than solely seeking a capital receipt. There may also be investments where the capital financing costs are covered by an income stream from a third party. These should not have a negative impact on the Council's capital financing capacity but will increase the Council's level of debt until they are fully repaid. Proposals include:

- Investment opportunities in key strategic areas including the Etihad Campus, the Northern Gateway, Eastern Gateway, and other areas for development such as Wythenshawe Town Centre and Moston Lane.

- Investment in public realm, particularly in the city centre, to drive economic growth and attracting new investment, will focus on the pipeline highlighted in the Economic Recovery Plan, including Mayfield, Piccadilly Gardens and active travel hubs.

- Following completion of the public consultation on the draft development framework for the former Central Retail Park, proposals for this site are expected to be progressed.

- Following the report to Executive in November, proposals to develop a mobility hub in Ancoats will be brought forward to support promoting modal shift towards cycling, public transport and electric vehicles.

- The Economic Recovery Plan sets out projects which create new enterprise, craft and production space which can accommodate small enterprises and safeguard jobs in the cultural and creative industries.

- In line with the emerging Manchester Digital Strategy, the Digital Cooperative Project will enhance and future-proof digital networks across the city, and provide support for existing and new businesses, as well as advanced digital skills training for local people. Alongside this, the proposed Civic Innovation Programme will provide a route to identify solutions to key social challenges.

- Opportunities to support the development of strategic assets through direct purchases or loans to partner organisations and third parties are being explored. This will be particularly important for specific sites where the Council's involvement could help progress and accelerate wider investment progress.

12 Town Hall Refurbishment

12.1 The Town Hall and Albert Square Refurbishment programme is for the full refurbishment and upgrade to modern standards of the Town Hall and the associated costs for Albert Square. The programme is currently forecast to be £245.5m between 2021/22 and 2024/25 with planned spend currently £34.6m in 2020/21.

13 Housing – General Fund

13.1 The Housing – General Fund capital programme includes housing regeneration schemes, such as the Council's housing Private Finance Initiative (PFI) schemes. It also includes funding for disabled facilities and energy efficiency schemes. The programme is forecast to be £42.8m between

2021/22 and 2024/25 and the primary schemes within the programme are detailed below.

13.2 Funding remains set aside within the programme for commercial and residential acquisitions (£6.7m) which will support the existing Brunswick and Collyhurst schemes.

13.3 Major adaptations funding is expected to be available (£10.2m) for major disability adaptations to private owner-occupiers, non-City Council owned social housing, and the tenants of privately rented properties, where eligible. Funding is through government grant and agreed voluntary contribution from social landlords.

13.4 Further investment plans include support for the development of Extra Care accommodation within Manchester (£2.4m).

13.5 Funding remains available, through the government's Marginal Viability Fund, to support the delivery of new homes on the New Victoria (£4.5m) site by addressing infrastructure works.

Potential Future Investment

- The priority is to deliver safe, secure and affordable housing to achieve the minimum of 6,400 Affordable Homes by March 2025. There is limited capacity from within the Housing Revenue Account and Housing Affordability Fund. The development of the Local Housing Delivery Vehicle with a view to creating multiple phases of delivery and relationships with Registered Housing Providers will be key, along with the commitment to leveraging the Council's land and property assets.

- The Council will play a key role in bringing forward investment across the City, but particularly in the Eastern and Northern Gateways. The roles of developers and the Council will need to be considered on a case by case basis for each development.

- Work will continue with colleagues in Greater Manchester to identify and access funding for energy conservation measures in private households.

- Work is continuing to develop proposals for the development of supported and semi-supported housing options to address the needs of residents who require independent living with support, including homeless people and young people at risk of homelessness. The establishment of a Council-owned temporary accommodation unit for homeless families continues to be worked on. This would also reduce revenue spend on bed-and-breakfast and hotel accommodation.

14 Housing – Housing Revenue Account (HRA)

14.1 The Housing – HRA capital programme consists of the investment in the Council's public sector housing estate, including acquisitions and capital works on existing Council housing assets. The programme is forecast to be £88.9m between 2021/22 and 2024/25 and the primary schemes within the programme are detailed below. The long term HRA business plan contains assumptions around future capital spend, and such projects will form part of the Council's capital programme once approved.

14.2 Provision is also made in the budget to reflect the delivery of new works in future years that will support the ongoing 30-year HRA asset management plan (£47.5m). The funds will be used to maintain the Decent Homes Standard within Manchester's housing stock and, in addition, will support innovative climate change investment; essential health and safety works including the installation of sprinklers in multi storey blocks; public realm environmental works; and, where appropriate, it will support estate regeneration and re-modelling.

14.3 The Silk Street project (£12.1m) will continue, building high quality affordable homes on a site in Newton Heath.

14.4 The programme includes funding for the ongoing regeneration works in Collyhurst (£18.2m), including proposals for new social housing new builds and land assembly linked to the Northern Gateway. There are capital investment proposals for Collyhurst elsewhere on the agenda.

Potential Future Investment

- With the decision to bring the ALMO back under Council control in July 2021, the Northwards capital programme will be reviewed to ensure there is the right prioritisation and pace for works to deliver fire safety and decent homes standards.

- The Council will consider options for retrofit works to make its existing housing zero-carbon. The potential initial investment sought, noted in the Economic Recovery and Investment Plan, is for the Manchester Housing Provider Partnership to establish a collaborative approach to procurement and delivery, with a view to retrofitting 3,500 properties a year including the Council's housing. This would also contribute to addressing fuel poverty.

- There will be a continued focus on increasing the level of affordable housing, either through models of direct delivery or through working with registered providers and other partners. The role of the HRA in providing new affordable housing will continue to be reviewed. This will include the development of housing at Silk Street, Newton Heath.

15 Children's Services (Schools)

15.1 The Children's Services capital programme is predominantly focused on the building of new schools, to meet school place demand, and investment in the existing school estate. The programme is forecast to be £83.9m between 2021/22 and 2024/25 and the primary schemes within the programme are detailed below.

15.2 The programme to increase the Special Educational Needs capacity (£8.1m) across the city will continue, with works to be undertaken at Roundwood, North Hulme, and Moston.

15.3 Work will continue on the design of the Co-op Academy in Belle Vue alongside the provision of places at Connell College (£4.3m) to accommodate the early opening of the Belle Vue school. As noted below, once design work is complete approval for the full scheme will be sought.

15.4 The Council will receive no Basic Need grant in 2021/22. The existing unallocated grant is c. £62.3m, which is expected to be required for the creation of secondary school places.

15.5 A Government grant-funded schools maintenance programme (£5.0m), to help maintain the Council's school assets, is included within the budget. Officers expect this funding stream to continue, however the annual budgets will be revised once confirmation of the level of funding is received.

Potential Future Investment

- The statutory requirement to provide sufficient school places across primary, secondary and specialist education continues to be monitored along with approvals as part of the Government's Free School programme to ensure there are sufficient places to meet demand. Once the design has been completed, proposals will be brought forward for a new secondary school at Hyde Rd.

- School maintenance projects will continue and be scaled in accordance with the level of government grant received, taking into account the condition of school buildings and prioritising accordingly.

16 Information and Communication Technology (ICT)

16.1 The ICT capital programme provides investment to the Council's ICT estate. The programme is forecast to be £29.4m between 2021/22 and 2024/25 and the primary schemes within the programme are detailed below.

16.2 The Network Refresh Programme (£9.0m) will progress, updating the Council's wider area network, local area network and wi-fi. This will also require works to the hardware used by the Council for communications.

16.3 With the changes to the way in which a significant element of the Council's workforce has been operating throughout the pandemic, the End User Experience project (£4.2m) will be important in updating the technology available to staff to allow them to undertake their roles more effectively.

16.4 The remaining ICT Investment Plan funding (£15.8m) is currently unallocated, to allow projects such as those noted as potential future investment priorities below to continue to be developed. Once projects are approved, they will be funded from this budget allocation.

16.5 It is expected that some of this budget may need to be transferred to revenue, depending on the type of work required, and this decision can only be made when the appropriate ICT solution has been identified. Such transfers will be proposed on a case by case basis and reported to members through the regular capital update reports.

Potential Future Investment

- Future investment will focus on improvements to the Council's core systems and infrastructure, and in supporting services across the Council in developing ICT solutions to their needs. Proposals will be brought forward to continue the network refresh, to review and improve the way in which residents and businesses can access Council services with the replacement of the CRM system, and to replace the Council's ERP SAP system which includes payroll, HR, the finance ledger and procurement. The replacement of these legacy systems is critical to modernising and automating business processes and maximising the use of data and reporting.

17 Adults, Children's and Corporate Services

17.1 The Adults, Children's and Corporate Services capital programme provides investment for the health and social care work of the City Council, and strategic investments. The programme is forecast to be £84.4m between 2021/22 and 2024/25 and the primary schemes within the programme are detailed below.

17.2 To provide integrated health and community services it is proposed to invest in a new facility at the Gorton District Centre (£19.8m). This is on an invest to save basis with the income from the leases to partners providing the funding to repay the build costs.

17.3 Financial support for the development of the project with Health Innovation Manchester (£10.1m), to conduct research on life science sub-sectors of health and medical technologies, will continue.

17.4 The approved loan support to Manchester Airport (£36.2m) will continue to be available.

17.5 As noted above at paragraph 8.3, there continues to be a budget allocation for inflation (£17.3m) to support projects where inflationary pressures cannot be contained within existing budgets.

Potential Future Investment

- There is a potential need for Adult Social Care to intervene in the social care market to shape the market to meet health and social care needs including new build facilities, or the acquisition of existing buildings which can be tailored to care models. There are no specific schemes in the pipeline, and these would be developed with health service partners. There may also be a need to address areas of market failure to ensure continuity of service. The intervention may be short-term but could be vital in limiting the impact on residents. By its nature this may need to be actioned quickly and appropriate budgets and approval routes are being considered.

- The Corporate Core needs to retain the ability to provide market intervention or provide loans to third parties as part of a wider investment strategy to deliver the strategic aims for the city. These would be bought forward with a clear business case and due diligence process. Investment options for carbon efficient energy sources are also being actively explored and are likely to be brought forward in the last quarter of 2020/21.

18 Capital Financing

18.1 The Council has several funding streams available to fund capital expenditure. Alongside external grants and contributions revenue funding, capital receipts and prudential borrowing cab also be used. Capital receipts are generated through the sale of assets. These receipts are ring-fenced, under legislation, to fund capital expenditure and cannot be used to fund the revenue budget.

18.2 There are restrictions around the use of certain capital funds, some statutory and some at the Council's discretion.

18.3 The Housing Revenue Account (HRA) is a restricted fund and can only be used to fund capital expenditure on HRA assets.

18.4 The Council also operates the following fund restrictions:

- Housing capital receipts (both Housing General Fund and Housing Revenue Account) are reserved for use on new Housing projects;
- General Fund capital receipts will be used in the first instance to support the Asset Management Programme.
- Grants received will be used for the specific purpose intended even if the terms of such grants are not restrictive, unless alternative use promotes the same aims.

Prudential Borrowing

18.5 The use of prudential borrowing allows the Council to spread the cost of funding the asset over its useful economic life. Using prudential borrowing as a funding source increases the Council's capital financing requirement (CFR), and will create revenue costs through interest costs and minimum revenue provision (MRP).

18.6 Where expenditure is funded through borrowing there is a requirement to make a minimum revenue provision towards the repayment of the debt. This ensures that the revenue cost of repaying the debt is spread over the life of the asset, similar to depreciation. The Council's MRP policy is contained within the Treasury Management Strategy Statement.

18.7 The estimated financing costs for the capital programme and existing debt have been calculated as part of the budget process. The proposed programme and the existing debt liabilities are affordable within the existing revenue budget. There is a finite level of borrowing that the Council can undertake to remain affordable and meet the Prudential Indicators (which are included in the Treasury Management Strategy). In line with the Prudential Code the Local Authority must have explicit regard to option appraisal and risk, asset management planning, strategic planning, and achievability of the forward plan.

18.8 The Council continues to work to develop schemes which attract external funding or deliver a substantial return on investment. All schemes are reviewed so that the revenue consequences and capital financing costs are understood and budgeted for.

18.9 Borrowing decisions are taken separately for the General Fund and HRA. Each must determine whether proposals requiring borrowing meet the requirements outlined above, although for the HRA it is depreciation rather than MRP which is incurred.

18.10 Following the increase in the margin on Public Works Loan Board (PWLB) debt last year, Government has consulted on the future of the PWLB. Further details are contained in the Treasury Management Strategy Statement. The Prudential Code will be revised to incorporate the additional requirements for local authorities.

18.11 It is proposed that the City Council capital programme for 2021/22 is funded as follows:

Fund	Housing Programmes		Other Programmes	**Total**
	HRA	Non-HRA		
	£m	£m	£m	**£m**
Borrowing	0.0	0.7	257.8	**258.5**
Capital Receipts	1.6	3.3	25.1	**30.0**
Contributions	0.0	0.4	36.4	**36.8**
Grant	1.8	10.4	97.4	**109.6**
Revenue Contribution to Capital Outlay	36.8	0.0	7.9	**44.7**
Grand Total	**40.2**	**14.8**	**424.6**	**479.6**

18.12 Prudential borrowing of up to £601.0m over the period will be needed to support the City Council programme in line with the new schemes and previous planning and profile approval. The breakdown over 2021-2025 is:

- 2021/22 - £258.5m
- 2022/23 - £205.9m
- 2023/24 - £100.4m

- 2024/25 - £36.2m

a. The Housing HRA programme will not require prudential borrowing at this stage but it is likely that projects will be brought forward that will require HRA borrowing which will be reported to members. Schemes are currently financed through the use of the cash backed reserves within the HRA. At the point these reserves are fully utilised additional borrowing will be required with additional financing costs incurred.

b. The General Fund programme requires £601.0m of prudential borrowing which includes:

Scheme	**£m**
Highways Investment Plan	23.2
Bridge maintenance	6.7
Mancunian Way and Princess Parkway NPIF	0.1
Princess Rd Safety Review	0.0
School Crossing Patrols	1.5
A6 Stockport Road Pinch Point Scheme	0.0
Street Lighting PFI	0.8
Waste Reduction Measures	0.3
Waste Contract	0.8
Purchase of Electric RCVs	4.1
Blackley Cremator and Mercury Abatement	1.4
Parks Investment Programme	11.4
Gately Brook Pre-Development Fees	0.1
Wythenshawe Track Changing Rooms	0.3
Indoor Leisure Provision at Abraham Moss	22.6
Boggart Hole Clough - Visitors Centre	0.0
Manchester Aquatics Centre	28.4
Libraries investment	1.1
The Factory	51.1
Hammerstone Road	18.1
Carbon Reduction	20.2
Estates Transformation	1.3
The Sharp Project	0.6
Digital Asset Base - One Central Park	0.7
Sustaining Key Initiatives	11.4
Mayfield Park	0.0
Eastern Gateway	0.6
Northern Gateway	16.6
House of Sport	7.3
Lincoln Square	1.2
Piccadilly Gardens - Phase 1	1.6
Manchester Digital Security Innovation hub (Cyberhub)	2.0
HOME Arches Phase 1	0.2
New Smithfield Market	0.0
Civic Quarter Heat Network	4.7
Refurbishment of the Town Hall and Albert Square	245.6

Scheme	£m
West Gorton Regeneration	1.2
Ben Street Regeneration	1.0
Acquisition of land at Hyde Road	0.0
ICT Investment Plan	29.4
Gorton integrated health development;	19.8
BioMedical Investment	10.1
Airport Loan	36.2
Inflation Fund	17.3

18.13 A number of these schemes will be on an invest to save basis, and will generate revenue savings. The remainder are affordable within the existing capital financing budget.

18.14 Further "spend to save" investment opportunities may arise and delegated authority is given to the Deputy Chief Executive and City Treasurer in consultation with the Executive Member for Finance and Human Resources to increase the capital budget accordingly. The delegation is restricted to an annual limit of £5,000,000. This is on the understanding that the costs of borrowing (interest and principal) of any additions are financed in full by additional income, revenue budget savings, or cost avoidance.

18.15 The proposed funding for the programme across the forecast period is shown below:

	2020/21 budget £m	**2021/22 budget** £m	**2022/23 budget** £m	**2023/24 budget** £m	**2024/25 budget** £m	**Total £m**
Grant	71.6	109.6	70.7	18.3	0.0	**270.2**
External Contribution	33.0	36.8	4.2	0.0	0.0	**74.0**
Capital Receipts	12.4	30.0	8.9	4.8	0.1	**56.2**
Revenue Contribution to Capital Outlay	23.2	44.7	42.1	11.6	0.0	**121.6**
Borrowing	231.9	258.5	205.9	100.4	36.2	**832.9**
Total	**372.2**	**479.6**	**331.8**	**135.1**	**36.3**	**1,354.9**

18.16 The funding forecast includes use of capital receipts already received and a forecast of future receipts based on officer's views on when surplus assets may be sold and the likely market valuations. These forecasts are subject to change which may affect the future funding position.

18.17 The final capital budget will be reported to Council in March and will include any changes to the financing position alongside the impact of any changes in the delivery of the 2020/21 programme.

19 Investments and Liabilities

19.1 Capital investments are regularly reviewed to ensure they continue to perform as expected. With the increased national focus on council investment activities the Capital Strategy has been expanded to include relevant investments and liabilities.

Approach, Due Diligence and Risk Appetite

19.2 Council investments are managed in line with the Ministry of Homes, Communities and Local Government (MHCLG) investment guidance principles of security, liquidity and yield. The application of these principles will differ when considering capital investment rather than treasury management investment. The risk appetite for these two distinct types of investment may differ as capital investments also consider the broader strategic and regeneration objectives and benefits.

19.3 Capital investments are considered in line with the Checkpoint process. Schemes could include lending to organisations with low credit ratings if the appropriate security over the organisations assets or guarantees from parent companies or organisations can be given. A key consideration is that income received from the investment covers the capital financing costs incurred.

Summary of material investments, guarantees and liabilities

19.4 The Council has the current historic investments on the balance sheet as at 31st March 2020:

	Value as at 31/3/20 £m
Long-term Debtors	310.2
Long-term Investments	137.0
Investment Property	475.2
Total	**922.4**

19.5 Long-term debtors - loan finance including the loans to Manchester Airport (£218.7m), Public Finance Initiative prepayments (£23.25m), and Manchester College (£17.6m). These loans are regularly reviewed and would be impaired if there was a risk of default.

19.6 Long-term investments - equity investments held including Manchester Airport (£112.4m), Destination Manchester (£10.2m) which is the Council’s investment in Manchester Central, Manchester Science Park (£5.9m) and Matrix Homes (£6.5m). Investments are valued on an annual basis.

19.7 Investment property - held on the basis that it will generate a revenue return, for example land at Manchester Airport and at Eastlands. Some of the properties are held for regeneration purposes but provide a return and have to be shown as investment property. Investment properties are independently valued on an annual basis.

19.8 The capital programme contains the following which will create either long-term debtors, investments or investment properties:

- Waste Contract - providing a loan to the contractor to upgrade vehicles;
- Civic Quarter Heat Network - creation of a heat network through a Council-owned company;
- Private Sector Housing Equity Loans - loans to residents to provide housing support;
- Manchester Airport Car Parks - financial support to the Airport to develop the business;
- Manchester Airport loan – loan funding for the Airport;
- Manchester College Loan - loan to support the College's expansion;
- Manchester Jewish Museum Loan – loan to support the development of the museum;
- Irish World Heritage Centre loan – financial support to the Centre; and
- Biomedical Investment - loan to support the development of health innovation.

There may be other projects which become capital investments, such as to support the Eastern and Northern Gateways.

19.9 All investments are scrutinised via the capital approval process with independent financial, legal and other relevant advice sought. New investments and reported to Executive for approval where appropriate.

19.10 Where investments provide a return through interest or dividends this can be used to support the revenue budget. In 2020/21 it is forecast that c. £9.3m of dividends will be used within the revenue budget. Where investments are funded by borrowing the income received is used to fund the capital financing costs, for example the Airport Strategic Loan.

19.11 All investments are monitored regularly with the frequency based on risk, and at a minimum once a year. Any material changes will be reported to the Deputy Chief Executive and City Treasurer at the earliest opportunity.

Commercial Investments

19.12 Capital investments are made for strategic or regeneration purposes. The Council will not invest in capital schemes purely for yield, although some schemes will be financed all or in part from returns on investment. Usually investment will be within the local authority area, although there may be exceptions if it is within the relevant economic area and meets a key regeneration or zero carbon objective.

19.13 Following the consultation on the future of the PWLB and the introduction of new terms for accessing PWLB loans, local authorities are actively discouraged from investing in assets primarily for yield. All proposed capital investments will have to be reviewed against PWLB guidance to assess whether they are:

- Service spending;
- Investment in housing;

- Regeneration;
- Investment as preventative action; or
- Investment in assets primarily for yield.

19.14 The decision over whether a project complies with the terms of the PWLB is for the Council's Section 151 officer but may be reviewed by Treasury and external auditors. Where local authorities do invest in assets primarily for yield, irrespective of how such assets are financed, access to the PWLB for new debt will be removed apart from for refinancing existing debt.

19.15 The outcome of the consultation also requires local authorities to only invest within their economic area. This may mean that some investment types, such as green energy, become more challenging for the Council to access.

20 Treasury Management

20.1 There is a clear link between capital investment activities and treasury management activities, particularly with regard to how the Council will repay debt and the impact on the revenue budget. The treasury management strategy for the Council is the subject of a separate report on the agenda and the principles are outlcined below.

Long Term Planning (inc. MRP)

20.2 The Treasury Management Strategy provides the framework for treasury management decisions which have to be made with the longer-term impact in mind.

20.3 Under the Prudential Code, the Council must make an annual revenue provision for the repayment of debt, called the minimum revenue provision (MRP). This provision spreads the cost of repaying the debt for an asset over the useful economic life of the asset. It is a real cost and will impact the revenue position. The MHCLG MRP guidance is followed and principles applied. The following asset lives are used when calculating MRP, unless there are asset-specific reasons for deviating from them – such deviation will be guided by qualified valuers recommendations on maximum useful lives:

- Land: 50 years
- Property: 50 years
- Highways: 25 years
- ICT: 5 years

20.4 When making debt decisions the forecast MRP in each future financial year is taken into account. The policy is to seek to match debt repayments to MRP in each year as this is the most prudent approach.

20.5 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.

20.6 The long term forecast for external debt is compared to the Capital Financing Requirement and shown at Appendix Four. This highlights the level of internal borrowing, where the council is using its own cashflow and cash backed reserves in lieu of external debt. Levels of internal borrowing are currently high at £1.1bn, which is reasonable with the very low returns experienced on cash held. However, with the planned use of reserves to support the revenue and capital budgets means this position will change and further external borrowing will be required. External debt peaks as the forecast capital programme for approved schemes ends and will change as further projects are approved and the level of internal borrowing reduced.

20.7 The forecast profile for the Capital Financing Requirement is shown in the table below:

£'m	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Opening CFR	1,496.5	1,700.6	1,925.4	2,092.2	2,150.5	2,143.1
Borrowing	231.9	258.5	205.9	100.4	36.2	0.0
Additional long term liabilities[1]	1.1	0.8	0.9	0.8	0.7	1.3
MRP	(28.9)	(34.5)	(40.0)	(42.9)	(44.3)	(46.5)
Closing CFR	**1,700.6**	**1,925.4**	**2,092.2**	**2,150.5**	**2,143.1**	**2,097.9**

20.8 The principles the Council will follow when taking new debt, and how the debt portfolio will be managed, is set out in the Treasury Management Strategy Statement. This also includes the authorised limit and operational boundary for external debt, based on the forecast debt requirement.

Risk appetite, key risks and sensitivities

20.9 For treasury management investments and debt the Council's risk appetite is extremely low with security of funds the primary concern. The Council seeks to invest surplus cash in instruments with high credit quality and for relatively short periods, and to have debt options available at all times.

20.10 The role of the treasury management teams is to balance the risks associated with the management of cash, acknowledging that they cannot all be

[1] The additional long term liabilities are likely to increase following the introduction of International Financial Reporting Standard 16, due in April 2021. Work is underway to identify the impact of this, and it will be reported to members in due course, the estimate included in these figures is a c. £20m increase.

mitigated, and to seek optimum performance in terms of liquidity and return. The key
sensitivities are changes in market conditions and the availability of debt. The team are in regular contact with brokers in the market and the Council's treasury management advisors to review market conditions and debt opportunities.

20.11 The Council's treasury management position and activities will be reported to Audit Committee throughout the financial year with any changes in market conditions or the Strategy highlighted to members.

21 Skills and Knowledge

21.1 Information, advice and training on the capital checkpoint processes is available for officers and Members. The Capital Programme team use their experience to evaluate new proposals. All proposals are reviewed by the Senior Management Team, including the Deputy Chief Executive and City Treasurer._Capital investments are reviewed under the same approval process with input from appropriately qualified and skilled Finance professionals and external advisors where required**.**

21.2 Since January 2018 the Markets in Financial Instruments Directive II (MiFID II) regulations are in force. For the Council to continue to invest as before it is required to opt up to become a "Professional Status" counterparty. Those with responsibility for the delivery of the treasury management function must be able to demonstrate that they have significant skills and experience of working in a market environment. The existing team fulfils this requirement and the Council currently holds "Professional Status".

22 Conclusions

22.1 This capital strategy provides an overview of how capital expenditure, capital financing and treasury management activity support service delivery, and should be taken in context with the capital budget and the treasury management strategy statement.

22.2 The proposed capital programme described within the report is affordable within the existing revenue budget based on the estimated capital financing costs associated with delivering the programme.

22.3 There are risks associated with the delivery of the capital strategy, specifically regarding delays to the programme or treasury management risks. Measures are in place to mitigate these risks through both the Strategic Capital Board and the treasury management strategy. Reports will be provided throughout the year to Council, Executive and other relevant committees providing updates on the progress of the capital programme and the risks associated with its delivery and funding.

23 Contributing to a Zero-Carbon City

23.1 Under the governance process for capital expenditure decision making, zero and low carbon measures are a key component. Each project must set achievable carbon reducing targets before being approved.

23.2 For some projects, the aim of the investment will be to reduce the City's carbon impact, for example the Civic Quarter Heat Network.

24 Contributing to the Our Manchester Strategy

(a) A thriving and sustainable city

24.1 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

24.2 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

24.3 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

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

(e) A connected city

24.5 Through investment in areas such as ICT and the City's infrastructure of road networks and other travel routes

25 Key Policies and Considerations

(a) Equal Opportunities

25.1 The proposals have been drawn up in awareness of Council policy on equality.

(b) Risk Management

25.2 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 changes. 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

25.3 None in this report.

Capital Approval Process and Governance

Appendix 1

APPROVALS

CP1
Sign off by Portfolio Board and Executive Member

Subject to Strategic Capital Board Approval and Member sign off

CP2
Strategic Capital Board and Exec Members sign off to progress to CP4 spend subject to checks at CP3

Portfolio Boards approve Individuals Schemes against larger programmes

CP3
Finance Approval Only

CP4

CP5

ACTIVITY

CP1 Initial Business Case Approval
Business Case to detail
- strategic fit
- economic, social and fiscal outcomes
- financial implications
- risk/deliverability

CP2 Detailed BC Approval
Update of CP1 including firming up on:
- Deliverables
- Costs/Benefits
- Outcomes
- Timelines

CP3 Funding Review
Detailed Finance checks to confirm funding streams

Allows formal Key Decision process to complete

Will enter capital budget at this point

CP4 Approval to Spend
Subject to approval at CP2 and CP3 then spend can commence, otherwise may require further clarification

No requirement for meeting/sign off (*unless further clarity*)

CP5 Project Review
Undertake project review to confirm outcomes, identify best practice and learn lessons.

Monitoring
(PMO Lead)

Ongoing during delivery, showing progress against targets

Reports to:
Porfolio Boards, Strategic Capital Board, SMT/Executive Members, Executive

Appendix 2 – amendments to the capital budget introduced as part of this report

Adjustments to the Capital Budget

Dept	Scheme	Funding	2020/21 £'000	2021/22 £'000	2022/23 £'000	Future £'000	Total £'000
Executive Approval Requests							
Highways	City Centre (Triangle) Active Travel Scheme	External Contribution		4,000			4,000
Highways	Wythenshawe Active Travel Scheme	External Contribution		1,500			1,500
Growth	Public Sector Decarbonisation Scheme	Government Grant	41	22,943			22,984
Growth	Public Sector Decarbonisation Scheme	Government Grant	70				70
Private Sector Housing	Disabled Facilities Grant	Government Grant		1,007			1,007
Public Sector Housing	Social Housing Decarbonisation Fund	Government Grant	75	3.045			3,120
Total Executive Approval Requests			**186**	**32,495**	**0**	**0**	**32,681**
Total Budget Adjustment Approvals			**186**	**32,495**	**0**	**0**	**32,681**

Please note that the additional budgets for 2020/21 are not included in the Capital Monitoring report for quarter 3, as they are new approvals.

Appendix 3 – the proposed Capital Programme Budget

Project Name	2020/21 Proposed Budget £'000	2021/22 Proposed Budget £'000	2022/23 Proposed Budget £'000	2023/24 Proposed Budget £'000	2024/25 Proposed Budget £'000
Highway Programme					
Highways Planned Maintenance Programme					
Drainage	2,120	1,871	0	0	0
Large Patching repairs	0	164	0	0	0
Patching Defect repairs	3,236	2,166	0	0	0
Carriageway Resurfacing	9,031	8,083	0	0	0
Footway schemes	1,720	1,706	0	0	0
Carriageway Preventative	2,355	3,534	0	0	0
Bridge Maintenance	500	2,234	2,233	2,233	0
Other Improvement works	791	11,151	0	0	0
Highways Maintenance Challenge Fund	4,960	910	0	0	0
Highways Major Projects					
Hyde Road (A57) Pinch Point Widening	3,147	0	0	0	0
Manchester/Salford Inner Relief Road (MSIRR)	100	0	0	0	0
Great Ancoats Improvement Scheme	5,669	699	0	0	0
Mancunian Way and Princess Parkway NPIF	4,910	87	0	0	0
Christie Extension RPZ	52	257	0	0	0
Hathersage RPZ	60	0	0	0	0
North Mcr General Hospital RPZ	63	0	0	0	0
St George's RPZ	112	49	0	0	0
Rusholme RPZ	32	227	0	0	0
School Crossings	2,305	1,479	0	0	0
Chorlton Cycling Scheme	2,858	9,456	66	0	0
Northern Quarter Cycling Scheme	636	9,640	0	0	0
Manchester Cycleway	772	271	0	0	0
Beswick Filtered Neighbourhood Development Costs	731	701	0	0	0

Project Name	2020/21 Proposed Budget £'000	2021/22 Proposed Budget £'000	2022/23 Proposed Budget £'000	2023/24 Proposed Budget £'000	2024/25 Proposed Budget £'000
Green Bridge at Airport City	852	71	0	0	0
A6 Stockport Road Pinch Point Scheme	438	8	0	0	0
Levenshulme Mini Holland Cycling and Walking scheme	519	459	0	0	0
Northern/Eastern GW Walking and Cycling scheme	897	1,463	0	0	0
Rochdale Canal	177	0	0	0	0
Highways Stand Alone Projects Programme					
20mph Zones (Phase 3)	124	0	0	0	0
Princess Rd Safety Review	73	15	0	0	0
Public Realm	1,608	567	381	0	0
Street Lighting PFI	750	750	0	0	0
A56 Liverpool Road	62	0	0	0	0
A56 Chester Road	40	0	0	0	0
Sunbank Lane S278	7	0	0	0	0
Sharston Roundabout SCOOT	6	0	0	0	0
Derwent Avenue S106	8	0	0	0	0
Woodhouse Park	16	0	0	0	0
Arena Security Measures	28	0	0	0	0
Ladybarn District Centre	26	0	0	0	0
CCTV Operating System Upgrade	243	0	0	0	0
Manchester Trash Screens	143	0	0	0	0
Oldham Rd Feasibility study	300	0	0	0	0
Enterprise Car Club Bays	28	0	0	0	0
Off Street Car Parks post JV project	247	0	0	0	0
Electric Vehicle Charging Points Ph 1	30	0	0	0	0
TfGM Bus Enhancements	38	0	0	0	0
Bee Network Crossings	53	0	0	0	0
Active Travel Development Costs	160	5,540	0	0	0

Project Name	2020/21 Proposed Budget £'000	2021/22 Proposed Budget £'000	2022/23 Proposed Budget £'000	2023/24 Proposed Budget £'000	2024/25 Proposed Budget £'000
Total Highways Programme	**53,033**	**63,558**	**2,680**	**2,233**	**0**
Environment and Operations Programme					
Waste Reduction Measures	750	330	0	0	0
Waste Contract	50	500	350	0	0
Purchase of Electric RCVs	5,786	4,110	0	0	0
Cremator & Mercury Abatement Plant Replacement Strategy	136	1,415	0	0	0
Leisure Services Programme					
Parks Programme					
PIP - Park Events Infrastructure	12	0	0	0	0
Parks Development Programme	275	3,097	3,574	4,685	0
Somme 100 Year Memorial	3	0	0	0	0
Painswick Park Improvement	2	0	0	0	0
Heaton Park Southern Play Area	28	0	0	0	0
Wythenshawe Park Sport Facilities S106	5	0	0	0	0
King George V Park	15	0	0	0	0
Angel Meadow S.106	192	0	0	0	0
Gately Brook Pre-Development Fees	36	80	0	0	0
Leisure & Sports Facilities					
Wythenshawe Track Changing Rooms	40	340	0	0	0
Indoor Leisure - Abraham Moss	280	9,800	12,794	45	0
Boggart Hole Clough - Visitors Centre	0	0	535	0	0
Mount Road S106	0	32	0	0	0
Culture Website	4	0	0	0	0
Manchester Regional Arena Track Replacement	324	0	0	0	0
Mellands Playing Fields - Levenshulme	11	153	0	0	0

Project Name	**2020/21 Proposed Budget £'000**	**2021/22 Proposed Budget £'000**	**2022/23 Proposed Budget £'000**	**2023/24 Proposed Budget £'000**	**2024/25 Proposed Budget £'000**
Mellands Project - Longsight Ward	330	0	0	0	0
Gorton & Abbey hey Project	96	196	0	0	0
Hough End Master Plan - Strat Football Hub Development Costs	277	231	0	0	0
Range Stadium Capital Project	168	0	0	0	0
MAC - Car Park Improvements	402	0	0	0	0
Non-Turf Wickets - Parks & Playing Fields	141	91	0	0	0
Manchester Aquatics Centre	716	8,498	12,621	8,620	0
Libraries and Culture Programme					
Central Library Wolfson Award	0	2	0	0	0
Central Library Refresh	35	922	0	0	0
Open Libraries	107	198	0	0	0
Contact Theatre loan	200	0	0	0	0
Total Neighbourhoods Programme	**10,421**	**29,995**	**29,874**	**13,350**	**0**
Cultural Programme					
First Street Cultural Facility	14	0	0	0	0
The Factory (Build)	36,163	52,237	31,835	0	0
St Johns (Public Realm)	312	3,811	75	0	0
Corporate Estates Programme					
Asset Management Programme	6,885	11,456	1,191	0	0
MAC feasibility works	215	249	0	0	0
Town Hall Complex Transformation Programme	54	0	0	0	0
Hammerstone Road Depot	1,208	11,249	6,815	0	0
Carbon Reduction Programme	3,910	5,200	5,000	10,000	0
Public Sector Decarbonisation Scheme	111	22,943	0	0	0
Greening of the City	250	750	0	0	0

Project Name	2020/21 Proposed Budget £'000	2021/22 Proposed Budget £'000	2022/23 Proposed Budget £'000	2023/24 Proposed Budget £'000	2024/25 Proposed Budget £'000
Estates Transformation	0	0	800	0	0
Estates Transformation - Hulme District Office	3	0	0	0	0
Estates Transformation - Alexandra House	6,156	450	0	0	0
Proud Trust - Sidney Street	250	0	0	0	0
Development Programme					
Digital Assets Board (MCDA)					
Space - Phase 3	100	550	0	0	0
The Sharp Project	0	600	0	0	0
Digital Asset Base - One Central Park	101	667	0	0	0
Strategic Acquisitions Board					
Strategic Acquisitions Programme	3,038	1,323	0	0	0
Sustaining Key Initiatives	0	0	11,458	0	0
Mayfield Park	296	35	0	0	0
Northern Gateway					
Housing Infrastructure Fund	250	15,980	16,500	18,270	0
Acquisition of land at Red Bank	2,305	0	0	0	0
Northern Gateway	6,700	4,445	7,275	4,875	0
Eastern Gateway					
Eastern Gateway - Central Retail Park	200	509	0	0	0
Eastern Gateway - New Islington Marina	15	50	0	0	0
House of Sport	1,130	7,290	0	0	0
Demolition of Grey Mare Police Station	500	261	0	0	0
City Centre					
St. Peters Square - Peterloo	0	106	0	0	0
Medieval Quarter Public Realm	851	1,938	0	0	0
Manchester College	5,000	0	0	0	0
Digital Business Incubators	200	0	0	0	0

Project Name	2020/21 Proposed Budget £'000	2021/22 Proposed Budget £'000	2022/23 Proposed Budget £'000	2023/24 Proposed Budget £'000	2024/25 Proposed Budget £'000
Lincoln Square	0	1,200	0	0	0
Piccadilly Gardens - Phase 1	250	1,561	0	0	0
Manchester Digital Security Innovation hub (Cyberhub)	0	2,000	0	0	0
HOME Arches Phase 1	20	195	0	0	0
Other Strategic Development Initiatives					
New Smithfield Market	100	369	0	0	0
Heron House & Registrars	1,966	0	0	0	0
Civic Quarter Heat Network	9,000	4,679	0	0	0
Total Growth & Development Programme	**87,553**	**152,103**	**80,949**	**33,145**	**0**
Town Hall Refurbishment Programme					
Our Town Hall refurbishment	34,618	63,626	88,231	57,482	36,217
Total Town Hall Refurbishment Programme	**34,618**	**63,626**	**88,231**	**57,482**	**36,217**
Private Sector Housing Programme					
Brunswick PFI (PSH)					
Brunswick PFI Land Assembly	100	593	677	0	0
Collyhurst (PSH)					
Collyhurst Regeneration	0	178	1,000	2,700	0
Collyhurst Environmentals	0	0	0	0	55
Collyhurst Land Assembly Ph1	0	29	0	0	0
Collyhurst Land Acquisitions Ph2	0	0	210	799	0
Eccleshall Street - 3 Sites	0	0	500	0	0
Housing Investment Model	0				
Site Investigation and Early Works HIF Pilot Sites	0	0	65	0	0

Project Name	2020/21 Proposed Budget £'000	2021/22 Proposed Budget £'000	2022/23 Proposed Budget £'000	2023/24 Proposed Budget £'000	2024/25 Proposed Budget £'000
Miles Platting PFI (PSH)					
Miles Platting PFI Land Assembly	7	143	266	0	0
Private Housing Asist Citywide Programme					
Disabled Facilities Grant	3,004	8,357	1,850	0	0
Toxteth St CPO & environmental works	1	10	19	0	0
Bell Crescent CPO	0	0	0	482	0
Private Sect Housing Standalone Projects					
HCA Empty Homes Cluster Phase 2	257	265	891	0	0
Princess Rd	100	0	0	0	0
Empty Homes Scheme (s22 properties)	2,000	0	0	0	0
Ancoats Dispensary: Survey Work to Confirm Major Project Viability	352	0	0	0	0
Redrow Development Programme					
Redrow Development Phase 2 onward	21	0	0	0	0
West Gorton (PSH)					
West Gorton Compensation	4	0	0	0	0
West Gorton Ph 2A Demolition & Commercial Acquisitions	115	322	904	0	0
Private Sector Housing - Stand Alone Projects					
HMRF	10	30	89	0	0
Collyhurst Acquisition & Demolition (Overbrook & Needwood Close)	0	664	0	0	0
Extra Care	0	0	1,245	1,200	0
Moston Lane Acquisitions	0	0	0	7,500	0
Equity Loans	0	0	397	0	0
West Gorton Community Park	350	25	25	0	0
Ben St. Regeneration	53	375	623	0	0
Marginal Viability Fund - New Victoria	6,900	2,054	2,446	0	0
Chimebank S.106	34	0	0	0	0
Next Steps Accommodation Programme Property Acquisitions	5	2,735	0	0	0

Project Name	2020/21 Proposed Budget £'000	2021/22 Proposed Budget £'000	2022/23 Proposed Budget £'000	2023/24 Proposed Budget £'000	2024/25 Proposed Budget £'000
Green Homes Grant Delivery scheme	500	0	0	0	0
Social Housing Decarbonisation Fund	75	3,045	0	0	0
Total Private Sector Housing Programme	**13,888**	**18,825**	**11,207**	**12,681**	**55**
Public Sector Housing					
Northwards - External Work					
Charlestown - Victoria Ave multistorey window replacement and ECW - Phase 1	2,264	6,535	3,484	0	0
Environmental works	0	0	5	0	0
Moston Miners Low Rise externals	0	0	5	0	0
External cyclical works ph 3b Ancoats Smithfields estate	50	40	0	0	0
Environmental improvements Moston corrolites	50	0	31	0	0
ENW distribution network phase 4 (various)	12	70	120	0	0
Various Estate based environmental works	77	100	86	0	0
Moston Corrolites external work	0	1,004	216	0	0
Retaining Walls	0	168	90	42	0
Delivery Costs	352	1,029	525	5	0
Northwards - Internal Work					
Decent Homes mop ups ph 9 and decent homes work required to voids	0	0	20	0	0
Ancoats - Victoria Square lift replacement	4	0	0	0	0
Harpurhey - Monsall Multis Internal Works	876	0	64	0	0
Newton Heath - Multies Internal Works	2,922	204	11	0	0
Higher Blackley - Liverton Court Internal Works	4	0	0	0	0
Various - Bradford/Clifford Lamb/Kingsbridge/Sandyhill Court Internal Works	185	52	0	0	0
Charlestown - Rushcroft/Pevensey Court Internal Works	879	0	95	0	0

Project Name	2020/21 Proposed Budget £'000	2021/22 Proposed Budget £'000	2022/23 Proposed Budget £'000	2023/24 Proposed Budget £'000	2024/25 Proposed Budget £'000
Collyhurst - Mossbrook/Roach/Vauxhall/Humphries Court Internal Works	405	238	0	0	0
Decent Homes mop ups phase 10 and voids	40	0	377	0	0
One off work - rewires, boilers, doors	44	8	0	0	0
Fire precautions multi storey blocks	0	0	150	0	0
ERDF Heat Pumps	2,737	1,234	443	0	0
Charlestown - Rushcroft/Pevensey Courts Lift Refurb	0	240	198	99	0
One off type work (rewires/boilers/doors)	195	16	0	0	0
Fire Risk Assessments	353	2,968	1,103	1,387	0
Northwards - Harpurhey 200 Estate Internal Works	632	0	219	0	0
Rushcroft and Pevensey Courts Ground Source Heat Pumps	556	1,867	0	0	0
Harpurhey Baths Estate (excl Edward Grant Court) and Cheetham Appleford Estate	60	532	234	0	0
Newton Heath Troydale and Croyden Drive Low Rise Estates	300	1,093	512	111	0
Responsive Investment Works	64	387	299	0	0
Retirement blocks various M&E/H&S works	0	813	323	213	0
One off type work such as rewires boilers doors	50	300	0	0	0
Delivery Costs	1,479	1,293	526	235	0
Northwards - Off Debits/Conversions					
Bringing Studio Apartments back in use	0	0	12	0	0
Various Locations - bringing bedsits back into use	0	0	104	0	0
Delivery Costs	0	0	15	0	0
Homeless Accommodation					
Improvements to Homeless accommodation city wide	0	0	24	0	0
Plymouth Grove Women's Direct Access Centre	0	0	28	0	0
Improvements to Homeless Accommodation Phase 2	350	289	103	0	0
Woodward Court reroofing	0	227	20	0	0
Woodward Court lift replacement	0	0	434	0	0

Project Name	2020/21 Proposed Budget £'000	2021/22 Proposed Budget £'000	2022/23 Proposed Budget £'000	2023/24 Proposed Budget £'000	2024/25 Proposed Budget £'000
Delivery Costs	50	67	79	0	0
Northwards - Acquisitions					
Stock Acquisitions	2	0	0	0	0
Northwards - Adaptations					
Adaptations	75	150	75	0	0
Various Locations - Adaptations	180	350	215		0
Delivery Costs	26	46	28		0
Northwards - Unallocated					
Northwards Housing Programme - Unallocated	0	467	13,361	0	0
Retained Housing Programme					
Collyhurst Maisonette Compensation & Dem	0	89	935	0	0
West Gorton Regeneration Programme					
West Gorton PH2A Low & High Rise Demolition	26	0	0	0	0
Future Years Housing Programme					
Collyhurst Estate Regeneration	0	0	1,541	0	0
Buy Back Properties - Right to Buy	141	365	500	500	0
Collyhurst Regen - Highways Phase 1	0	287	1,394	0	0
Collyhurst Regen - Churnett Street	0	0	790	0	0
Collyhurst Regen - Needwood & Overbrook acquisition / demolition	0	134	0	0	0
Willert Street Park Improvements	0	10	0	0	0
North Manchester New Builds	38	339	0	0	0
North Manchester New Builds 3 – Silk Street	210	3,322	8,114	647	0
Parkhill Land Assembly	0	0	4,270	0	0
Collyhurst	400	13,890	4,310	0	0
Total Public Sector Housing (HRA) Programme	**16,088**	**40,223**	**45,488**	**3,239**	**0**

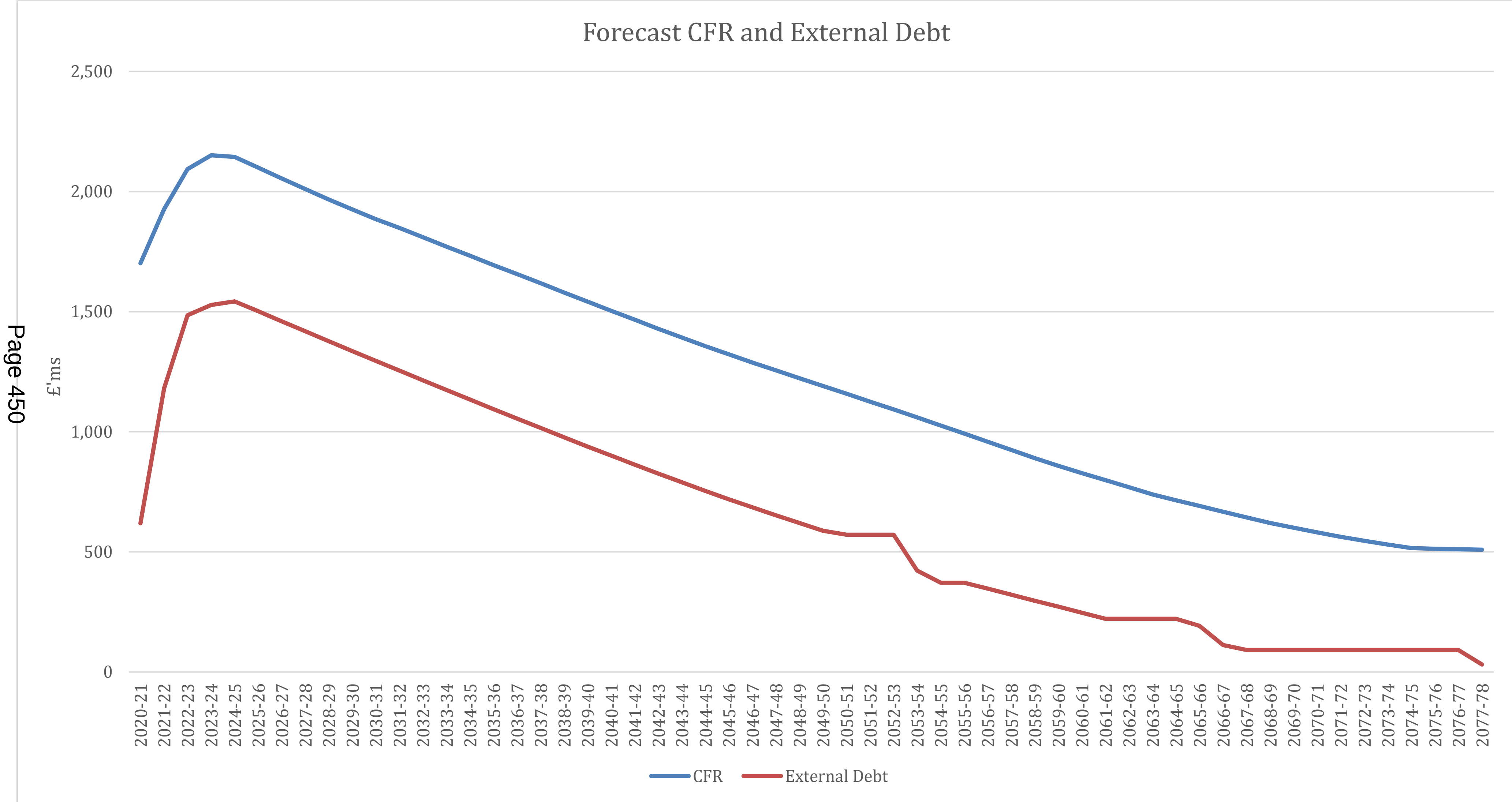
Project Name	2020/21 Proposed Budget £'000	2021/22 Proposed Budget £'000	2022/23 Proposed Budget £'000	2023/24 Proposed Budget £'000	2024/25 Proposed Budget £'000
Children's Services Programme					
Basic Need Programme					
Lytham Rd	14	0	0	0	0
Plymouth Grove Refurbishment	4	0	0	0	0
Crossacres Primary School	24	0	0	0	0
Dean Trust Expansion	2,859	0	0	0	0
Brookside Rd Moston	3,714	3,707	0	0	0
North Hulme Adv Playground	1,798	2,861	0	0	0
Roundwood Road	6,436	1,368	200	0	0
Piper Hill Special School	15	0	0	0	0
SEND Expansions - Melland & Ashgate	3	0	0	0	0
Coop North Expansion	488	0	0	0	0
Our Lady's Expansion	160	0	0	0	0
Manchester Communications Academy	111	0	0	0	0
Co-op Academy Belle Vue - Permanent	1,000	3,146	0	0	0
Co-op Academy Belle Vue - Early Opening	1,000	1,140	0	0	0
St Peters RC High school expansion	383	0	0	0	0
Lancasterian Rebuild & Expansion - Pre Devel Costs	0	140	0	0	0
Our Lady's RC Permanent Expansion	100	1,800	500	0	0
Basic need - unallocated funds	0	18,386	43,944	0	0
Universal Infant Free School Meals (UIFSM) - Allocated	7	0	0	0	0
Universal Infant Free School Meals (UIFSM) - Unallocated	75	0	0	0	0
Schools Maintenance Programme					
Broad Oak Primary School Kitchen	12	745	0	0	0
Lily Lane Prim Windows	0	96	0	0	0
Moston Lane Reroof	6	0	0	0	0
St.Augustine's	66	0	0	0	0

Project Name	**2020/21 Proposed Budget £'000**	**2021/22 Proposed Budget £'000**	**2022/23 Proposed Budget £'000**	**2023/24 Proposed Budget £'000**	**2024/25 Proposed Budget £'000**
Medlock Primary - Boundary Wall rebuild	0	80	0	0	0
Crumpsall Lane - Electrical rewire	899	0	0	0	0
Mauldeth Rd Rewire	599	0	0	0	0
Button Lane Primary Fire Alarm	136	0	0	0	0
Charlestown Comm Fire Alarm/Lighting	164	0	0	0	0
Northenden Primary Pipework and Radiators	235	0	0	0	0
Crowcroft Park roof repairs	245	0	0	0	0
St Wilfreds CE Ph 1 roof repairs	6	444	0	0	0
Northenden Comm external works	81	0	0	0	0
Abbott Kitchen ventilation	54	0	0	0	0
Manley Park Primary Ph1 roof repairs	300	0	0	0	0
Broad Oak Reception class and roof repair	346	0	0	0	0
Schools Capital Maintenance -unallocated	150	3,435	247	0	0
Education Standalone Projects					
Brighter Beginnings Burnage -EY maintenance works	2	0	0	0	0
Moss Side CC - EY maintenance works	6	0	0	0	0
Early Education for Two Year Olds - Unallocated	44	0	0	0	0
Healthy Pupil Capital Funding	0	257	0	0	0
North Ridge SEN	3,127	9	0	0	0
Grange School	195	0	0	0	0
Special Educational Needs grant	0	488	0	0	0
Seymour Road	653	0	0	0	0
Commercial Wharf/ISS Refurbishment of YJS Building	104	36	0	0	0
Ghyll Head	756	335	0	0	0
Acquisition of land at Hyde Road	10,100	12	0	0	0
Nurseries Capital Fund - Unity Community	230	139	0	0	0
Lyndene Children's Home Refurbishment	502	373	0	0	0

Project Name	2020/21 Proposed Budget £'000	2021/22 Proposed Budget £'000	2022/23 Proposed Budget £'000	2023/24 Proposed Budget £'000	2024/25 Proposed Budget £'000
Total Children's Services Programme	**37,209**	**38,997**	**44,891**	**0**	**0**
ICT Capital Programme					
ICT Infrastructure & Mobile Working Programme					
Internet Resilience	27	0	0	0	0
Network Refresh Programme	346	4,912	4,042	0	0
Data Centre Network Design and Implementation	510	0	0	0	0
End User Experience	970	3,488	727	0	0
Microsoft 365	1,760	0	0	0	0
Telephony	95	305	0	0	0
TEC Digital Platform	79	78	0	0	0
ICT Investment Plan	0	0	8,112	7,693	0
Total ICT Programme	**3,787**	**8,783**	**12,881**	**7,693**	**0**
Corporate Capital Programme					
Pay and Display Machines	220	0	0	0	0
Phase 1 Implementation - Locality Plan Programme Office	487	0	0	0	0
Integrated Working - Gorton Health Hub	413	14,674	5,092	0	0
BioMedical Investment	3,792	3,792	3,993	2,308	0
Manchester Jewish Museum Loan	290	0	0	0	0
Manchester Airport Car Park Investment	3,730	0	0	0	0
FC United	170	0	0	0	0
VCSE Small premises works	0	0	500	500	0
IWHC Loan	10	0	0	0	0
Airport Loan	106,452	36,248	0	0	0

Project Name	2020/21 Proposed Budget £'000	2021/22 Proposed Budget £'000	2022/23 Proposed Budget £'000	2023/24 Proposed Budget £'000	2024/25 Proposed Budget £'000
Inflation	0	8,800	6,000	2,475	0
Total Corporate Capital Programme	**115,564**	**63,514**	**15,585**	**5,283**	**0**
Total Capital Programme	**372,161**	**479,624**	**331,786**	**135,106**	**36,272**

Appendix 4 – Capital Financing Requirement and Forecast External Debt



Manchester City Council
Report for Resolution

Report to:	Executive – 17 February 2021 Resources and Governance Scrutiny – 1 March 2021 Council – 5 March 2021
Subject:	Treasury Management Strategy Statement 2021/22, 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 2021/22 and Prudential Indicators for 2021/22 to 2023/24.

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 commend the report to Council.

The Council is recommended 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.

Contact Officers:

Name: Carol Culley
Position: Deputy Chief Executive and City Treasurer
Telephone: 0161 234 3406
E-mail: carol.culley@manchester.gov.uk

Name: Helen Seechurn
Position: Deputy City Treasurer
Telephone: 07814 087850
E-mail: helen.seechurn@manchester.gov.uk

Name: Tim Seagrave
Position: Group Finance Lead – Capital and Treasury Management
Telephone: 0161 234 3445
E-mail: timothy.seagrave@manchester.gov.uk

Name: Matus Majer
Position: Treasury Manager
Telephone: 0161 600 8490
E-mail: matus.majer@manchester.gov.uk

Background documents (available for public inspection):

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report.

- Capital Strategy and Budget 2020/21 to 2024/25 report to Executive 17 February 2021
- CIPFA Prudential Code 2017
- CIPFA Treasury Management Code of Practice 2018

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. 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 the end to the transition period and COVID-19 Pandemic, 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 2021/22

1.6 The suggested strategy for 2021/22 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: Prudential and Treasury Indicators for 2021/22 to 2023/24
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
Section 10: Annual Investment 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;
- increases to the minimum revenue provision; 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 2021/22 to 2023/24

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 2021/22 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 relates to temporary borrowing from other Local Authorities which was required to ensure cash liquidity during the COVID-19 pandemic that put significant strain on the availability of cash due to reduced income from business rates, council tax, and other forms of income, as reported in the Interim Report 2020/21 which went to Audit Committee on 10th of November 2020.

6.2 The Council's forecast treasury portfolio position at 31st March 2021 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	15.0	0.0	**15.0**	0.00
HCA	8.4	0.0	**8.4**	0.00
	511.1	61.9	**573.0**	
Short Term Borrowing				
Local Authorities	165.0	0.0	**165.0**	0.68
Other	11.1	0.0	**11.1**	0.60
	176.1	0.0	**176.1**	
Forecast Additional Borrowing[1]	20.0	0.0	**20.0**	
Gross Debt	707.2	61.9	**769.1**	2.96
External Investments	(12.0)	0.0	**(12.0)**	0.00
Internal Balances (GF/HRA)	51.1	(51.1)	**0**	0.00
Net Debt	**746.3**	**10.8**	**757.1**	
Capital Financing Requirement			1,700.6	
Gross Debt			769.1	
Internal Borrowing			**931.5**	

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

[1] Forecast additional borrowing is based on current forecasts at the end of December 2020 and is subject to change depending on changes in expenditure, income, and working capital.

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 31st March 2021 is forecast to be c. £1,700.6m. The difference between this and the actual gross debt of the Council is c. £931.5m 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 31st March 2021 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):

- 2021: 0.10%
- 2022: 0.10%
- 2023: 0.10%

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	**2021/22 £'m estimate**	**2022/23 £'m estimate**	**2023/24 £'m estimate**
Planned Capital Expenditure funded by Borrowing	258.5	205.9	100.4
Change in Grants & Contributions	45.7	48.4	0.0
Change in Capital Receipts	1.3	(24.3)	(34.8)
Change in Reserves	97.9	109.9	15.9
MRP Provision	(31.1)	(36.1)	(38.8)
Refinancing of maturing debt (GF)	196.0	7.7	3.1
Refinancing of maturing debt (HRA)	1.1	1.4	0.6
Estimated Borrowing Requirement	**569.4**	**312.9**	**46.4**
Funded by:			
GF	568.3	311.5	45.8
HRA	1.1	1.4	0.6

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 The overall forecast for the long term borrowing rates are to remain relatively stable in year 2021/22, increasing slightly over the next 3 years. In terms of the Council's borrowing strategy there are three options:

i. Internal borrowing
ii. Short to medium term borrowing
iii. Long term borrowing

Treasury Management will continue to monitor and manage the risk of each of the above borrowing options. At such time the Council will need to borrow, the debt market will be actively monitored and the borrowing strategy which delivers the optimum value for money will be chosen. The short-term advantage of internal and short-term borrowing will be weighed against the potential cost if long term borrowing is delayed.

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)**

In February 2020 Parliament reformed the statutory basis of the PWLB, transferring lending powers to HM Treasury. In March 2020 the government consulted on revising the PWLB's lending terms to reflect the new governance arrangements as well as to end the situation in which a minority of local authorities used PWLB loans to fund debt for yield activity via commercial investments. The government published its response to this consultation and implemented these reforms in November 2020.

Additional requirements to borrow from PWLB were introduced. Each local authority that wishes to borrow from the PWLB will need to submit a high-level description of their capital spending and financing plans for the following three years, including their expected use of the PWLB. Any investment assets bought primarily for yield will not be supported by PWLB.

Local Authorities will be asked to:

i. Categorise Capital Spending into: Service Spending, Housing, Regeneration, Preventative Action, Treasury Management, and Debt for Yield activity.
ii. Provide a short description covering at least 75% of the spending in each category.
iii. Provide assurance from the section 151 officer or equivalent that the local authority is not borrowing in advance of need and does not intend to buy investment assets primarily for yield.

PWLB borrowing is available 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.

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

Table 3	Mar 21	Jun 21	Sep 21	Dec 21	Mar 22	Mar 23	Mar 24
Bank Rate %	0.10	0.10	0.10	0.10	0.10	0.10	0.10
5 yr PWLB rate %	0.80	0.80	0.80	0.80	0.90	0.90	1.00
10 yr PWLB rate %	1.10	1.10	1.10	1.10	1.20	1.20	1.30
25 yr PWLB rate %	1.50	1.60	1.60	1.60	1.60	1.70	1.80
50 yr PWLB rate %	1.30	1.40	1.40	1.40	1.40	1.50	1.60

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

- **European Investment Bank (EIB)**

Historically, the EIB rates for borrowing were generally favourable compared to PWLB although the margin of benefit has now reduced as a result of the U.K. withdrawing from the EU and the reversal of PWLB rates as described above. The Council still has access to EIB along with the option to forward fix rates for borrowing 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.

- **Inter-Local Authority advances**

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

- **Market Loans**

Following the reversal of the PWLB rates noted above, there has been a decrease in market activity relating to local authority debt as the debt pricing and structure offer less value for money compared to PWLB.

Market loans offer forward fixing which is not an option with PWLB, however as rates are forecast to remain relatively low over the next few years forward fixing brings marginal advantage.

- **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.

The Agency's aim is to raise finance for Local Authorities by issuing municipal bonds to capital markets. At the time of writing the third bond issue for Warrington Council has been cancelled following the drop in PWLB rate as mentioned above. Only two other bonds of £350m and £250m for Lancashire County Council were 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 marginally higher. Consideration will also be given to forward fixing rates whilst rates are favourable.

9.18 Against this background caution will be adopted within 2021/22 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 2021/22 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.

Negative Investment Rates

10.6 In September 2020, the Bank of England said it is unlikely to introduce a negative Bank Rate in the next 6-12months, but recognises it as one of the tools available.

10.7 Negative rates have already been seen in the market specifically when placing cash with the Debt Management Office and the Money Market Funds. At the time of writing, the Treasury Management team managed to avoid investments with a negative rate of return.

10.8 Investing short term at a negative rate will remain to be the option of last resort. At such time this is no longer possible, alternative longer-term investments no greater than 364 days will be considered to ensure the delivery of value for money.

Investment Policy

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

10.10 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'[2] and overlay that information on top of the credit ratings.

10.11 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.

10.12 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 2020/21 will be maintained in 2021/22.

10.13 In line with the policy adopted in this strategy in previous years, options to diversify the investment portfolio have been reviewed and adopted. The Council now actively uses money market funds alongside deposits with banks, other local authorities and the Debt Management Agency.

10.14 For 2021/22 the Council will continue to consider investing in Treasury Bills, Certificates of Deposit and Covered Bonds albeit at the time of writing the rates are not favourable. 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.

[2] 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.

10.15 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

10.16 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.

10.17 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[3]	See Creditworthiness Policy.	In-house
Term deposits – other Local Authorities	High security. Only few 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	In-house
Treasury Bills	UK Government backed	In-house
Covered Bonds	AAA	In-house

Creditworthiness Policy

10.18 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:

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[3] 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.

- 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

10.19 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.

10.20 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.

10.21 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[4] 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.

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

Investment Limits

10.23 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.

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

[4] 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.

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

10.25 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

10.26 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

10.27 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.

10.28 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.

10.29 As noted in the latest Treasury Management Interim Report 2020/21, negative rates are already being seen in the markets. At such time these negative rates will impact the Council's short-term investments, alternative longer-term deposits will be necessary in order to protect the overall value for money.

Money Market Funds

10.30 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.

10.31 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.

10.32 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.

10.33 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.

10.34 There is ever growing pressure the MMFs will generate negative returns. Partly because the markets are oversaturated with cash and partly because there is a lack of demand for cash as a result of uncertainties around how the world economies will continue to deal with the COVID-19 Pandemic as well as how the economies will manage post the end of the transition period. At the time of writing this report, negative rates have already been seen in MMFs, however Treasury Management has agreed with fund managers to waive administration fees for as long as possible in order to maintain a positive return. At such time, the waiving of fees is not possible alternative longer-term investments will be chosen.

Treasury Bills

10.35 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.

10.36 At the time of writing this report, Treasury Bills were yielding a negative return. Efforts to use Treasury Bills have been put on hold until the securities are once again yielding a higher than market average return.

Certificates of Deposit

10.37 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

10.38 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

10.39 Based on cash flow forecasts, the level of cash balances in 2021/22 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

10.40 Link's view of the 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.

10.41 At the time of writing this report a trade deal has been agreed between the UK and the EU. Following the COVID-19 Pandemic, the Bank Rate is forecast to remain constant over the next few years. Link's view is that the Bank Rate will remain at 0.10% by March 2021. This suggests that investment returns are likely to remain low during 2021/22, and beyond given the global economic outlook.

10.42 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.

10.43 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.

10.44 For 2021/22 it is suggested the Council should target an investment return of 0% to 0.05% 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 six months) in order to benefit from the compounding of interest.

10.45 The Bank of England and the Financial Conduct Authority (FCA) are committed to phasing out LIBOR before the end of 2021. To date the Council has used LIBOR as a benchmark rate for investments and temporary borrowing. The Bank of England formed the Risk Free Rate Working Group which recommended a reformed Sterling Overnight Index Average (SONIA) as the alternative unsecured risk - free rate for the Pound Sterling (GBP) LIBOR Market. SONIA is based on actual transactions and reflects the average of the interest rates that banks pay to borrow sterling overnight from other financial institutions and other investors. Treasury Management will therefore adopt the use of SONIA as a benchmark rate moving forward.

10.46 The SONIA rate will also be applied to any transfer rates between the General Fund and the HRA, further details are outlined in Appendix I. Treasury Management will apply mitigating changes to the transfer rates if the benchmark rates were to go into negative territory.

End of year Investment Report

10.47 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

10.48 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.

10.49 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 the start 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	2021-22		2022-23		2023-24
	%		%		%
Estimated Financing Costs to Net Revenue Stream[5]	6.2%		6.4%		6.2%
	£m		£m		£m
Authorised Limit - external debt					
Borrowing	1,711.6	(1,384.5)	1,737.3	(1,396.2)	1,737.3
Other long term liabilities	190.0	(190.0)	190.0	(190.0)	190.0
TOTAL	1,901.6	(1,574.5)	1,927.3	(1,586.2)	1,927.3
Operational Boundary - external debt					
Borrowing	1,350.3	(1,006.2)	1,591.5	(1,176.9)	1,626.3
Other long term liabilities	190.0	(190)	190.0	(190.0)	190.0
TOTAL	1,540.3	(1,196.2)	1,781.5	(1,366.9)	1,816.3
Estimated external debt	1,142.4	(792.8)	1,454.3	(1,016.4)	1,501.8
Upper limit for total principal sums invested for over 364 days	0	(0)	0	(0)	0
Estimated Capital Expenditure					
Non - HRA	439.4	(339.6)	286.3	(260.2)	131.9
HRA	40.2	(38.8)	45.5	(28.6)	3.2
TOTAL	479.6	(378.4)	331.8	(288.8)	135.1
Estimated Capital Financing Requirement (as at 31 March)					
Non – HRA	1,626.3	(1,543.1)	1,792.1	(1,706.5)	1,849.6
HRA	300.0	(299.2)	301.0	(300.0)	301.8
TOTAL	1,926.3	(1,842.3)	2,093.1	(2,006.5)	2,151.4

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

Maturity structure of borrowing during 2021-22	Upper Limit		Lower limit	
under 12 months	80%	(80%)	0%	(0%)
12 months and within 24 months	80%	(70%)	0%	(0%)
24 months and within 5 years	70%	(60%)	0%	(0%)
5 years and within 10 years	70%	(50%)	0%	(0%)
10 years and above	90%	(80%)	20%	(40%)
Has the Authority adopted the CIPFA Treasury Management Code?				Yes

The status of the indicators will be included in Treasury Management reporting during 2021/22. They will also be included in the Council's Capital Budget monitoring reports during 2021/22.

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 2021/22 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 2021 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 December 2020 – Link Asset Services

This section has been prepared by the Council's Treasury Advisors, Link Asset Services, for the Treasury Management Strategy Statement 2021/22.

- **UK.** The key quarterly meeting of the Bank of England Monetary Policy Committee kept **Bank Rate** unchanged on 5.11.20. However, it revised its economic forecasts to take account of a second national lockdown from 5.11.20 to 2.12.20 which is obviously going to put back economic recovery and do further damage to the economy. It therefore decided to do a further tranche of **quantitative easing (QE) of £150bn**, to start in January when the current programme of £300bn of QE, announced in March to June, runs out. It did this so that "announcing further asset purchases now should support the economy and help to ensure the unavoidable near-term slowdown in activity was not amplified by a tightening in monetary conditions that could slow the return of inflation to the target".
- Its forecasts appeared, at that time, to be rather optimistic in terms of three areas:
  - The economy would recover to reach its pre-pandemic level in Q1 2022
  - The Bank also expected there to be excess demand in the economy by Q4 2022.
  - CPI inflation was therefore projected to be a bit above its 2% target by the start of 2023 and the "inflation risks were judged to be balanced".
- Significantly, there was no mention of **negative interest rates** in the minutes or Monetary Policy Report, suggesting that the MPC remains some way from being persuaded of the case for such a policy, at least for the next 6 -12 months. However, rather than saying that it "stands ready to adjust monetary policy", the MPC this time said that it will take "whatever additional action was necessary to achieve its remit". The latter seems stronger and wider and may indicate the Bank's willingness to embrace new tools.
- One key addition to **the Bank's forward guidance in August** was a new phrase in the policy statement, namely that "it does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and achieving the 2% target sustainably". That seems designed to say, in effect, that even if inflation rises to 2% in a couple of years' time, do not expect any action from the MPC to raise Bank Rate – until they can clearly see that level of inflation is going to be persistently above target if it takes no action to raise Bank Rate. Our Bank Rate forecast currently shows no increase, (or decrease), through to quarter 1 2024 but there could well be no increase during the next five years as it will take some years to eliminate spare capacity in the economy, and therefore for inflationary pressures to rise to cause the MPC concern. **Inflation** is expected to briefly peak at just over 2% towards the end of 2021, but this is a temporary short lived factor and so not a concern.
- However, the minutes did contain several references to **downside risks**. The MPC reiterated that the "recovery would take time, and the risks around the GDP projection were judged to be skewed to the downside". It also said "the risk of a

more persistent period of elevated unemployment remained material”. Downside risks could well include severe restrictions remaining in place in some form during the rest of December and most of January too. **Upside risks** included the early roll out of effective vaccines.

- **COVID-19 vaccines.** We had been waiting expectantly for news that various COVID-19 vaccines would be cleared as being safe and effective for administering to the general public. The Pfizer announcement on 9th November was very encouraging as its 90% effectiveness was much higher than the 50-60% rate of effectiveness of flu vaccines which might otherwise have been expected. However, this vaccine has demanding cold storage requirements of minus 70c that impairs the speed of application to the general population. It has therefore been particularly welcome that the Oxford University/AstraZeneca vaccine has now also been approved which is much cheaper and only requires fridge temperatures for storage. The Government has 60m doses on order and is aiming to vaccinate at a rate of 2m people per week starting in January, though this rate is currently restricted by a bottleneck on vaccine production; (a new UK production facility is due to be completed in June).

- These announcements, plus expected further announcements that other vaccines could be approved soon, have enormously boosted confidence that **life could largely return to normal during the second half of 2021**, with activity in the still-depressed sectors like restaurants, travel and hotels returning to their pre-pandemic levels; this would help to bring the unemployment rate down. With the household saving rate having been exceptionally high since the first lockdown in March, there is plenty of pent-up demand and purchasing power stored up for these services. A comprehensive roll-out of vaccines might take into late 2021 to fully complete; but if these vaccines prove to be highly effective, then there is a possibility that restrictions could start to be eased, beginning possibly in Q2 2021 once vulnerable people and front-line workers have been vaccinated. At that point, there would be less reason to fear that hospitals could become overwhelmed any more. Effective vaccines would radically improve the economic outlook once they have been widely administered; it may allow GDP to rise to its pre-virus level a year earlier than otherwise and mean that the unemployment rate peaks at 7% in 2021 instead of 9%.

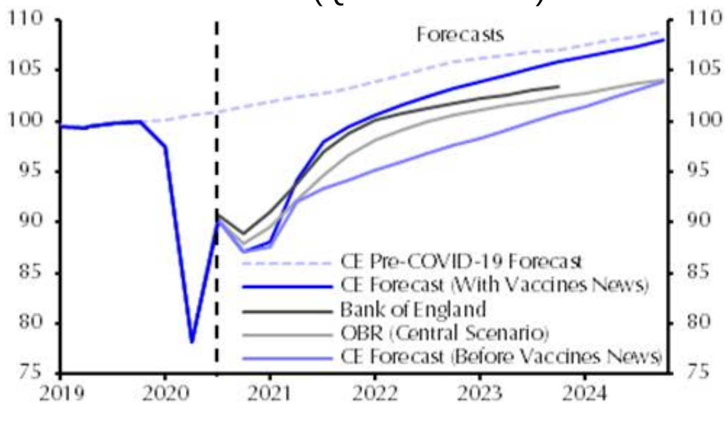
- **Public borrowing** was forecast in November by the Office for Budget Responsibility (the OBR) to reach £394bn in the current financial year, the highest ever peace time deficit and equivalent to 19% of GDP. In normal times, such an increase in total gilt issuance would lead to a rise in gilt yields, and so PWLB rates. However, the QE done by the Bank of England has depressed gilt yields to historic low levels, (as has similarly occurred with QE and debt issued in the US, the EU and Japan). This means that new UK debt being issued, and this is being done across the whole yield curve in all maturities, is locking in those historic low levels through until maturity. In addition, the UK has one of the longest average maturities for its entire debt portfolio, of any country in the world. Overall, this means that the total interest bill paid by the Government is manageable despite the huge increase in the total amount of debt. The OBR was also forecasting that the government will still be running a budget deficit of £102bn (3.9% of GDP) by

2025/26. However, initial impressions are that they have taken a pessimistic view of the impact that vaccines could make in the speed of economic recovery.

- Overall, **the pace of recovery** was not expected to be in the form of a rapid V shape, but a more elongated and prolonged one. The initial recovery was sharp after quarter 1 saw growth at -3.0% followed by -18.8% in quarter 2 and then an upswing of +16.0% in quarter 3; this still left the economy 8.6% smaller than in Q4 2019. It is likely that the one month national lockdown that started on 5th November, will have caused a further contraction of 8% m/m in November so the economy may have then been 14% below its pre-crisis level.

- **December 2020 / January 2021**. Since then, there has been rapid back-tracking on easing restrictions due to the spread of a new mutation of the virus, and severe restrictions were imposed across all four nations. These restrictions were changed on 5.1.21 to national lockdowns of various initial lengths in each of the four nations as the NHS was under extreme pressure. It is now likely that wide swathes of the UK will remain under these new restrictions for some months; this means that the near-term outlook for the economy is grim. However, the distribution of vaccines and the expected consequent removal of COVID-19 restrictions, should allow GDP to rebound rapidly in the second half of 2021 so that the economy could climb back to its pre-pandemic peak as soon as late in 2022. Provided that both monetary and fiscal policy are kept loose for a few years yet, then it is still possible that in the second half of this decade, the economy may be no smaller than it would have been if COVID-19 never happened. The significant caveat is if another mutation of COVID-19 appears that defeats the current batch of vaccines. However, now that science and technology have caught up with understanding this virus, new vaccines ought to be able to be developed more quickly to counter such a development and vaccine production facilities are being ramped up around the world.

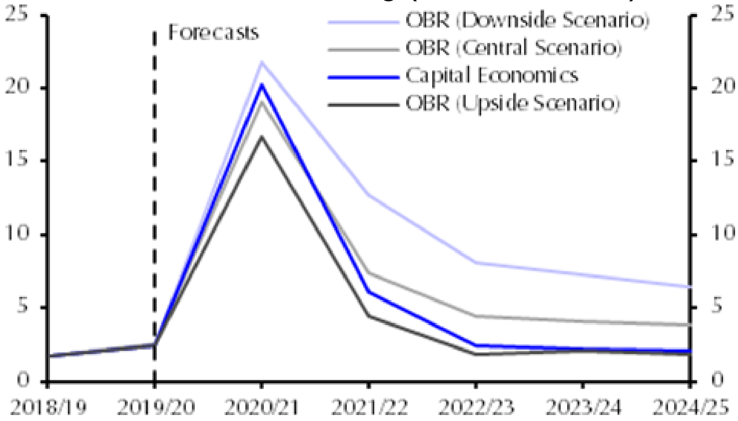
Chart: Level of real GDP (Q4 2019 = 100)



(if unable to print in colour…... the key describing each line in the above graph is in sequential order from top to bottom in parallel with the lines in the graph.

This recovery of growth which eliminates the effects of the pandemic by about the middle of the decade would have major repercussions for public finances as it would be consistent with the government deficit falling to around 2.5% of GDP without any tax increases. This would be in line with the OBR's most optimistic forecast in the graph below, rather than their current central scenario which predicts a 4% deficit due to assuming much slower growth. However, Capital Economics forecasts assumed that there is a reasonable Brexit deal and also that politicians do not raise taxes or embark on major austerity measures and so, (perversely!), depress economic growth and recovery.

Chart: Public Sector Net Borrowing (as a % of GDP)



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- There will still be some **painful longer term adjustments** as e.g. office space and travel by planes, trains and buses may not recover to their previous level of use for several years, or possibly ever, even if vaccines are fully successful in overcoming the current virus. There is also likely to be a reversal of globalisation as this crisis has exposed how vulnerable long-distance supply chains are. On the other hand, digital services are one area that has already seen huge growth.

- **Brexit.** While the UK has been gripped by the long running saga of whether or not a deal would be made by 31.12.20, the final agreement on 24.12.20, followed by ratification by Parliament and all 27 EU countries in the following week, has eliminated a significant downside risk for the UK economy. The initial agreement only covers trade so there is further work to be done on the services sector where temporary equivalence has been granted in both directions between the UK and EU; that now needs to be formalised on a permanent basis. As the forecasts in this report were based on an assumption of a Brexit agreement being reached, there is no need to amend these forecasts.

- **Monetary Policy Committee meeting of 17 December.** All nine Committee members voted to keep interest rates on hold at +0.10% and the Quantitative Easing (QE) target at £895bn. The MPC commented that the successful rollout of vaccines had reduced the downsides risks to the economy that it had highlighted in November. But this was caveated by it saying, “Although all members agreed that this would reduce downside risks, they placed different weights on the degree to which this was also expected to lead to stronger GDP growth in the central case.” So, while the vaccine is a positive development, in the eyes of the MPC at least, the economy is far from out of the woods. As a result of these continued concerns, the MPC voted to extend the availability of the Term Funding Scheme, (cheap borrowing), with additional incentives for small and medium size enterprises for six months from 30.4.21 until 31.10.21. (The MPC had assumed that a Brexit deal would be agreed.)

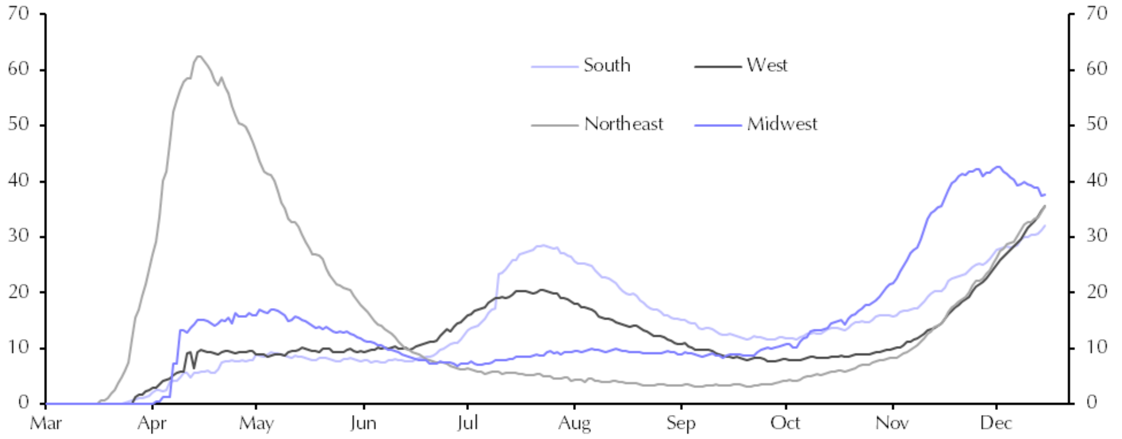
- **Fiscal policy.** In the same week as the MPC meeting, the Chancellor made a series of announcements to provide further support to the economy: -
  - An extension of the COVID-19 loan schemes from the end of January 2021 to the end of March.
  - The furlough scheme was lengthened from the end of March to the end of April.
  - The Budget on 3.3.21 will lay out the "next phase of the plan to tackle the virus and protect jobs". This does not sound like tax rises are imminent, (which could hold back the speed of economic recovery).

- The **Financial Policy Committee** (FPC) report on 6.8.20 revised down their expected credit losses for the banking sector to "somewhat less than £80bn". It stated that in its assessment, "banks have buffers of capital more than sufficient to absorb the losses that are likely to arise under the MPC's central projection". The FPC stated that for real stress in the sector, the economic output would need to be twice as bad as the MPC's projection, with unemployment rising to above 15%.

- **US.** The result of **the November elections** meant that while the Democrats gained the presidency and a majority in the House of Representatives, it looks as if the Republicans could retain their slim majority in the Senate provided they keep hold of two key seats in Georgia in elections in early January. If those two seats do swing to the Democrats, they will then control both Houses and President Biden will consequently have a free hand to determine policy and to implement his election manifesto.

- **The economy** had been recovering quite strongly from its contraction in 2020 of 10.2% due to the pandemic with GDP only 3.5% below its pre-pandemic level and the unemployment rate dropping below 7%. However, the rise in new cases during quarter 4, to the highest level since mid-August, suggests that the US could be in the early stages of a fourth wave. While the first wave in March and April was concentrated in the Northeast, and the second wave in the South and West, the third wave in the Midwest looks as if it now abating. However, it also looks as if the virus is rising again in the rest of the country. The latest upturn poses a threat that the recovery in the economy could stall. This is **the single biggest downside risk** to the shorter term outlook – a more widespread and severe wave of infections over the winter months, which is compounded by the impact of the regular flu season and, as a consequence, threatens to overwhelm health care facilities. Under those circumstances, states might feel it necessary to return to more draconian lockdowns.

  COVID-19 hospitalisations per 100,000 population



- The restrictions imposed to control the spread of the virus are once again weighing on the economy with employment growth slowing sharply in November and retail sales dropping back. The economy is set for further weakness in December and into the spring. However, a $900bn fiscal stimulus deal passed by Congress in late December will limit the downside through measures which included a second round of direct payments to households worth $600 per person and a three-month extension of enhanced unemployment insurance (including a $300 weekly top-up payment for all claimants). GDP growth is expected to rebound markedly from the second quarter of 2021 onwards as vaccines are rolled out on a widespread basis and restrictions are loosened.

- After Chair Jerome Powell unveiled the **Fed's adoption of a flexible average inflation target** in his Jackson Hole speech in late August 2020, the mid-September meeting of the Fed agreed by a majority to a toned down version of the new inflation target in his speech - that *"it would likely be appropriate to maintain the current target range until labour market conditions were judged to be consistent with the Committee's assessments of maximum employment and inflation had risen to 2% and was on track to moderately exceed 2% for some time."* This change was aimed to provide more stimulus for economic growth and higher levels of employment and to avoid the danger of getting caught in a deflationary “trap” like Japan. It is to be noted that inflation has actually been under-shooting the 2% target significantly for most of the last decade, (and this year), so financial markets took note that higher levels of inflation are likely to be in the pipeline; long-term bond yields duly rose after the meeting. The FOMC’s updated economic and rate projections in mid-September showed that officials expect to leave the fed funds rate at near-zero until at least end-2023 and probably for another year or two beyond that. There is now some expectation that where the Fed has led in changing its inflation target, other major central banks will follow. The increase in tension over the last year between the US and China is likely to lead to a lack of momentum in progressing the initial positive moves to agree a phase one trade deal.

- The Fed’s meeting on **5 November** was unremarkable - but at a politically sensitive time around the elections. At its **16 December** meeting the Fed tweaked the guidance for its monthly asset quantitative easing purchases with the new language implying those purchases could continue for longer than previously believed. Nevertheless, with officials still projecting that inflation will only get back to 2.0% in 2023, the vast majority expect the fed funds rate to be still at near-zero until 2024 or later. Furthermore, officials think the balance of risks surrounding that median inflation forecast are firmly skewed to the downside. The key message is still that policy will remain unusually accommodative – with near-zero rates and asset purchases – continuing for several more years. This is likely to result in keeping Treasury yields low – which will also have an influence on gilt yields in this country.

- **EU.** In early December, the figures for Q3 GDP confirmed that the economy staged a rapid rebound from the first lockdowns. This provides grounds for optimism about growth prospects for next year. In Q2, GDP was 15% below its pre-pandemic level. But in Q3 the economy grew by 12.5% q/q leaving GDP down by "only" 4.4%. That was much better than had been expected earlier in the year. However, growth is likely to stagnate during Q4 and in Q1 of 2021, as a second wave of the virus has affected many countries: it is likely to hit hardest those countries more dependent on tourism. The €750bn fiscal support package eventually agreed by the EU after prolonged disagreement between various countries, is unlikely to provide significant support, and quickly enough, to make an appreciable difference in the countries most affected by the first wave.

- With inflation expected to be unlikely to get much above 1% over the next two years, **the ECB** has been struggling to get inflation up to its 2% target. It is currently unlikely that it will cut its central rate even further into negative territory from -0.5%, although the ECB has stated that it retains this as a possible tool to use. The ECB's December meeting added a further €500bn to the PEPP scheme, (purchase of government and other bonds), and extended the duration of the programme to March 2022 and re-investing maturities for an additional year until December 2023. Three additional tranches of TLTRO, (cheap loans to banks), were approved, indicating that support will last beyond the impact of the pandemic, implying indirect yield curve control for government bonds for some time ahead. The Bank's forecast for a return to pre-virus activity levels was pushed back to the end of 2021, but stronger growth is projected in 2022. The total PEPP scheme of €1,850bn of QE which started in March 2020 is providing protection to the sovereign bond yields of weaker countries like Italy. There is therefore unlikely to be a euro crisis while the ECB is able to maintain this level of support. However, as in the UK and the US, the advent of highly effective vaccines will be a game changer, although growth will struggle before later in quarter 2 of 2021.

- **China.** After a concerted effort to get on top of the virus outbreak in Q1, economic recovery was strong in Q2 and then into Q3 and Q4; this has enabled China to recover all of the contraction in Q1. Policy makers have both quashed the virus and implemented a programme of monetary and fiscal support that has been particularly effective at stimulating short-term growth. At the same time, China's economy has benefited from the shift towards online spending by consumers in developed markets. These factors help to explain its comparative outperformance compared to western economies. However, this was achieved by major central government funding of yet more infrastructure spending. After years of growth having been focused on this same area, any further spending in this area is likely to lead to increasingly weaker economic returns in the longer term. This could, therefore, lead to a further misallocation of resources which will weigh on growth in future years.

- **Japan.** A third round of fiscal stimulus in early December took total fresh fiscal spending this year in response to the virus close to 12% of pre-virus GDP. That's huge by past standards, and one of the largest national fiscal responses. The budget deficit is now likely to reach 16% of GDP this year. Coupled with Japan's relative success in containing the virus without draconian measures so far, and the likelihood of effective vaccines being available in the coming months, the government's latest fiscal effort should help ensure a strong recovery and to get back to pre-virus levels by Q3 2021 – around the same time as the US and much sooner than the Eurozone.

- **World growth.** World growth will have been in recession in 2020. Inflation is unlikely to be a problem for some years due to the creation of excess production capacity and depressed demand caused by the coronavirus crisis.

- 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.

Summary

Central banks are, therefore, likely to support growth by maintaining loose monetary policy through keeping rates very low for longer. Governments could also help a quicker recovery by providing more fiscal support for their economies at a time when total debt is affordable due to the very low rates of

interest. They will also need to avoid significant increases in taxation or austerity measures that depress demand in their economies.

If there is a huge surge in investor confidence as a result of successful vaccines which leads to a major switch out of government bonds into equities, which, in turn, causes government debt yields to rise, then there will be pressure on central banks to actively manage debt yields by further QE purchases of government debt; this would help to suppress the rise in debt yields and so keep the total interest bill on greatly expanded government debt portfolios within manageable parameters. It is also the main alternative to a programme of austerity.

INTEREST RATE FORECASTS

Brexit. The interest rate forecasts provided by Link in paragraph 3.3 were predicated on an assumption of a reasonable agreement being reached on trade negotiations between the UK and the EU by 31.12.20. There is therefore no need to revise these forecasts now that a trade deal has been agreed. Brexit may reduce the economy's potential growth rate in the long run. However, much of that drag is now likely to be offset by an acceleration of productivity growth triggered by the digital revolution brought about by the COVID crisis.

The balance of risks to the UK

- The overall balance of risks to economic growth in the UK is probably now skewed to the upside, but is still subject to some uncertainty due to the virus and the effect of any mutations, and how quick vaccines are in enabling a relaxation of restrictions.
- There is relatively little UK domestic risk of increases or decreases in Bank Rate and significant changes in shorter term PWLB rates. The Bank of England has effectively ruled out the use of negative interest rates in the near term and increases in Bank Rate are likely to be some years away given the underlying economic expectations. However, it is always possible that safe haven flows, due to unexpected domestic developments and those in other major economies, could impact gilt yields, (and so PWLB rates), in the UK.

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

- **UK government** takes too much action too quickly to raise taxation or introduce austerity measures that depress demand in the economy.
- **UK - 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.** The ECB has taken monetary policy action to support the bonds of EU states, with the positive impact most likely for "weaker" countries. In addition, the EU agreed a €750bn fiscal support package. These actions will help shield weaker economic regions for the next two or three years. However, in the case of Italy, the cost of the virus crisis has added to its already huge debt mountain and its slow economic growth will leave it vulnerable to markets returning to taking the view that its level of debt is unsupportable. There remains a sharp divide between

northern EU countries favouring low debt to GDP and annual balanced budgets and southern countries who want to see jointly issued Eurobonds to finance economic recovery. This divide could undermine the unity of the EU in time to come.

- Weak capitalisation of some **European banks**, which could be undermined further depending on extent of credit losses resultant of the pandemic.
- **German minority government & general election in 2021.** 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 subsequent state elections but the SPD has done particularly badly. Angela Merkel has stepped down from being the CDU party leader but she will remain as Chancellor until the general election in 2021. This then leaves a major question mark over who will be the major guiding hand and driver of EU unity when she steps down.
- **Other minority EU governments.** Austria, Sweden, Spain, Portugal, Netherlands, Ireland 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, and they had threatened to derail the 7 year EU budget until a compromise was thrashed out in late 2020. There has also been a rise in anti-immigration sentiment in Germany and France.
- **Geopolitical risks,** for example in China, Iran or North Korea, but also in Europe and other Middle Eastern countries, which could lead to increasing safe haven flows.

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

- **UK -** a significant rise in inflationary pressures e.g. caused by a stronger than currently expected recovery in the UK economy after effective vaccines are administered quickly to the UK population, leading to a rapid resumption of normal life and return to full economic activity across all sectors of the economy.
- 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 rapid series of increases in Bank Rate to stifle inflation.

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 9th November 2020.

Link Group Interest Rate View 9/11/20													
These Link forecasts have been amended for the reduction in PWLB margins by 1.0% from 26/11/20													
	Mar 21	**Jun 21**	**Sep 21**	**Dec 21**	**Mar 22**	**Jun 22**	**Sep 22**	**Dec 22**	**Mar 23**	**Jun 23**	**Sep 23**	**Dec 23**	**Mar 24**
BANK RATE	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
6 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
12 month ave earnings	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
5 yr PWLB	0.80	0.80	0.80	0.80	0.90	0.90	0.90	0.90	0.90	1.00	1.00	1.00	1.00
10 yr PWLB	1.10	1.10	1.10	1.10	1.20	1.20	1.20	1.20	1.20	1.30	1.30	1.30	1.30
25 yr PWLB	1.50	1.60	1.60	1.60	1.60	1.70	1.70	1.70	1.70	1.80	1.80	1.80	1.80
50 yr PWLB	1.30	1.40	1.40	1.40	1.40	1.50	1.50	1.50	1.50	1.60	1.60	1.60	1.60

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.

SONIA – Sterling Overnight Index Average (SONIA) is an interest rate benchmark which is based on actual transactions and reflects the average of the interest rates that banks pay to borrow sterling overnight from other financial institutions and other institutional investors.

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 – ***SONIA***

- 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 – ***SONIA***

The Bank of England and the Financial Conduct Authority (FCA) are committed to phasing out LIBOR before the end of 2021. Therefore, the market rates used are SONIA which the Council will use for benchmarking 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.

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