Public Document Pack

MANCHESTER
CITY COUNCIL

Resources and Governance Scrutiny Committee

This is the 2022/23 Budget Papers Pack containing all the budget related documentation to be considered at the Resources and Governance Scrutiny Committee on 28 February 2022 and Budget Council on 4 March 2022.

Agenda

5. The Council's Budget 2022/23 - budget papers pack
In connection to the above, the following documents were considered by Executive on 16 February 2022.

(5a) Revenue Budget Monitoring to the end of December 2021
(5b) Budget Overview and Section 25 Report
(5c) Medium Term Financial Plan and 2022/23 Revenue Budget
(5d) Children and Education Services Budget 2022/23
(5e) Adult Social Care and Population Health Budget 2022/23
(5f) Neighbourhoods Directorate Budget 2022/23
(5g) Growth and Development Directorate Budget 2022/23
(5h) Corporate Core Budget 2022/23
(5i) School Budget 2022/23
(5j) Housing Revenue Account 2022/23 to 2024/25
(5k) Capital Strategy and Budget 2021/22 to 2024/25
(5l) Treasury Management Strategy Statement 2022/23, 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=3732&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 4:00pm on the seventh day after the meeting of Executive).

Information about the Committee

Scrutiny Committees represent the interests of local people about important issues that affect them. They look at how the decisions, policies and services of the Council and other key public agencies impact on the city and its residents. Scrutiny Committees do not take decisions but can make recommendations to decision-makers about how they are delivering the Manchester Strategy, an agreed vision for a better Manchester that is shared by public agencies across the city.

The Resources and Governance Scrutiny Committee areas of interest include finances, Council buildings, staffing, corporate and partnership governance as well as Council tax and benefits administration. .

The Council wants to consult people as fully as possible before making decisions that affect them. Members of the public do not have a right to speak at meetings but may do so if invited by the Chair. If you have a special interest in an item on the agenda and want to speak, tell the Committee Officer, who will pass on your request to the Chair. Groups of people will usually be asked to nominate a spokesperson. The Council wants its meetings to be as open as possible but occasionally there will be some confidential business. Brief reasons for confidentiality will be shown on the agenda sheet.

The Council welcomes the filming, recording, public broadcast and use of social media to report on the Committee's meetings by members of the public.

Agenda, reports and minutes of all Council Committees can be found on the Council's website www.manchester.gov.uk.

Smoking is not allowed in Council buildings.

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Manchester City Council
Report for Resolution

Report to: Executive – 16 February 2022

Subject: Revenue Monitoring to the end of December 2021

Report of: Deputy Chief Executive and City Treasurer

Summary

The report outlines the projected outturn position for 2021/22, based on expenditure and income activity as at the end of December 2021 and future projections.

Recommendations

The Executive is requested to:

1. Note the forecast outturn position which is showing a £1.170m underspend.
2. Approve the proposed revenue budget virements (para. 2.4 to 2.8)
3. Approve additional COVID 19 grants to be reflected in the budget (para. 2.9 to 2.14)
4. Approve the use of other unbudgeted external grant funding (non COVID 19) (para. 2.15).
5. Approve the allocation of budgets from corporate inflation (para. 2.16)

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.

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.	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 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

The report identifies a forecast underspend of £1.170m for 2021/22, based on activity to date and projected trends in income and expenditure, and includes the financial implications of COVID 19, government funding confirmed to date and other changes.

This report focuses on 2021/22, 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

There are no capital consequences arising specifically from this report.

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Background documents (available for public inspection):

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

Revenue Budget Report – Executive Meeting February 2021

1. Introduction

1.1. This report provides an overview of the Council's current financial position for 2021/22. The forecast overall position for 2021/22 is an underspend of £1.170m. Full details are provided in Appendix 1. The 2022/23 budget is expected to be balanced following mitigations as set out in the budget report elsewhere on this agenda.

1.2. There remains a significant budget shortfall from 2023/24 alongside uncertainty about the future funding settlement. The scale and proposed approach is set out in the Medium Term Financial Strategy report elsewhere on the agenda. The council continues to follow a prudent budget strategy of utilising any released resources to smooth the impact on future years and reduce the level of cuts required.

2. Financial position 2021/22

2.1. The current budget monitoring forecast is estimating an underspend of £1.170m for the year. The impact of COVID 19 is still being felt and there are significant uncertainties and risks to the position as COVID 19 restrictions ease. However, the financial impact has not materialised in 2021/22 to date at the level initially forecast when the budget was set.

2.2. In relation to the delivery of the £40.717m of savings identified as part of the budget process the majority are on track for delivery. However, £2.482m (6%) of these are considered high risk and are unlikely to be delivered in this financial year and a further £5.287m (13%) are medium risk, in terms of the likelihood of delivery. Officers are working to ensure all savings are achieved or mitigated.

2.3. Full details on the key budget forecasts and variances by Directorate are provided at Appendix 1. The forecast position includes the recommended virements, budget increases for additional funding and the allocation of inflation funding set out below for the consideration and approval of Executive.

COVID 19 related virements

2.4. The 2021/22 budget recognised that the financial implications of COVID 19 would continue into this year and beyond. Areas affected were mainly in relation to Social Services and Homelessness as well as income collection. The position around income collection was volatile and uncertain when the budget was set, linked to the easing of restrictions and the economic impact on organisations and individuals.

2.5. When the budget was set, additional growth funding was made available to support further covid pressures, including expectations of growth in demand for services as an impact of the recovery from the pandemic. The budget included £26.5m of forecast additional departmental costs and £9.1m of forecast income shortfalls. This was partly funded via the tranche 5 emergency funding of £22.2m and the Sales, Fees and Charges claim of £3.7m. The Council has also applied a significant level of its own resources (made available through reserves, savings and mitigations) to offset losses not covered by government support schemes.

2.6. A number of these risks still exist; however, demand growth is not being seen in the way initially expected. All COVID 19 related budgets and pressures have been reviewed and where costs are lower than anticipated or the income collection has been higher it has been agreed that the additional support is removed from the budget. There has also been the ability to release funds held in specific reserves for COVID related costs and the spend has been eligible for funding through Contain Outbreak Management Fund (COMF).

2.7. Adjustments totalling £10.609m have been previously approved by Executive. Since then, a further £131k virement from Coroners is proposed, £200k from Homelessness and there is a need to reverse a £350k virement from HR/OD. These adjustments bring the 2021/22 transfer to smoothing reserve to £10.590m. The budget proposals elsewhere on the agenda propose this is used to support COVID 19 related losses in the medium term and reduce the budget gap in 2023/24.

Other virements between directorates

2.8. ICT budget centralisation £2.124m **-** This was undertaken to enable better analysis over the whole spend on IT Hardware, Phones and Printing. It is also linked to the End User Device project where the council has provided new laptops and will be replacing them in three years.

COVID 19 related Grants

2.9. The Council has received a range of grants from Central Government to support the response to the COVID 19 pandemic. These will be administered in line with the conditions set out by central government. In some cases the council is acting as an agent of the government, an intermediary between the government and recipient with no flexibility in determining the level of support. These payments will be netted off the grant received and will not be shown gross in the budget. Where the Council acts as principal and is able to use its own discretion when allocating the grants (within the grant conditions) the Council's budget will be increased to reflect the funding.

2.10. The additional COVID 19 related grants received to date are listed in Appendix 2. Note only the tranche 5 emergency funding of £22.229m and the amount which is to be claimed for Sales Fees and Charges Support of £3.596m 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 for test and trace. These and subject to a grant certification and/or audit process.

2.11. The following COVID 19 grants have been notified since the last Revenue Monitoring report:

2.12. Grants where the Council is acting as principal and are added to Directorate Budgets:

- Workforce recruitment and retention fund, £1.805m. This grant will further help the care sector respond to the challenges posed by winter pressures

- COVID Adult Social Care Omicron Support Fund, £666k. This funding can be used to support the sector and protect people from COVID-19 infection. This includes investing in improved ventilation, increasing the use of direct payments or paying for COVID-19 sickness and self-isolation pay for staff.
- Community Vaccine champions programme, £185k. To encourage hard to reach people in areas with low vaccine uptake to come forward through volunteers in the community
- Protect and vaccinate, £0.729m. To increase vaccination amongst people sleeping rough and to provide emergency accommodation
- Homeless prevention grant top up, £0.689m. This grant will be utilised to maintain tenancies in future months where tenants have fallen into rental arrears as a result of covid
- Additional Restriction Grant Omicron (ARGO), £0.999m. In response to the increase in COVID Omicron cases Government announced a top up to the existing ARG grant of £0.999m, bringing the total of ARG received to £21.199m. This grant will be applied to businesses that have been impacted by the variant and are not eligible for other support. The Council is designing a scheme that will fully allocate this element of ARG and no further Government funding will be available.

2.13. Grants where the Council is principal for the discretionary element of the funding and as agent for the remainder:

- Test and Trace Support Payments (October - December), for adults who are self-isolating. £254k added to Directorate budgets, and £169k is treated as agency as the council is acting on behalf of government and has no discretion over the use of funds.
- New Burdens 4 restart and ARG grant schemes, £85k added to the directorate budgets and £97k is treated as agency. To help meet the costs of delivering the Restart Grant Scheme and the ARG Top Ups from 14 October 2020 to the end of March 22.

2.14. Grants where the council is an agent for the fund:

- Business Support – Omicron Hospitality and Leisure grant, £6.090m. In December, in response to the COVID Omicron variant, Government announced further business support grants would be applied for hospitality and leisure (including accommodation) businesses, with one off grants of up to £6,000 to be awarded to eligible businesses. The Council's allocation of £6.090m reflects 90% of Government's estimated grant requirement. If required, further funding will be provided to the Council, and any unapplied grant will be returned to Government.
- £23.993m COVID Additional Relief Fund (CARF) was announced by Government in December. This will provide rates relief to reduce chargeable amounts in 2021/22 for businesses in the city that have been adversely impacted by the pandemic. In March 2021 Government announced that businesses who had appealed their business rates charge under grounds of the 'Material Change in Circumstance' linked to the pandemic would be revoked and replaced by a new relief worth £1.5bn

- nationally. The Council's share of this is £23.993m and a local relief policy is being designed for eligible businesses.
- Section 31 extended retail relief, £91.515m. This will provide rates relief to reduce chargeable amounts in 2021/22 for businesses in the city that have been adversely impacted by the pandemic.

2.15. Since the Period 6 Revenue Monitoring report there have been additional non COVID-19 grant notifications which are now reflected in the revised budget as follows:

- Afghanistan Resettlement Education Grant - £1.456m following release of further details by DfE / Government and as previously reported to the Executive. This allocation is from the 'Operation Warm Welcome' fund to support child refugees' schooling.
- Holiday activities and food programme 2022, £3.870m. This provides support to children in receipt of free school meals throughout the school holidays.
- Funding from GMCA of £200k has been allocated via the GM Violence Reduction Unit to deliver the Serious Violence Action Plan including Early Intervention and Prevention, Education and Inclusion using trauma informed approaches.

Allocations from Corporate budgets for approval

2.16. The following requests for release of funds approved in budget but not yet allocated to departmental cash limit have been made:

- Home to school transport, £120k. Increases in fuel costs are now starting to impact on the provision of the Home to School Transport service with operators seeking price increases on their tender prices and / or giving notice to hand routes back that they believe are no longer viable. Given the current volatility of the fuel price, the proposal is to pay a 3% premium for a fixed period of time as opposed to increasing the route price, which will allow a review at the start of the next financial year when prices may have stabilised / declined.
- Unitary Charge Inflation – Street Lighting, £59k. The forecast pressure is due to higher inflation (RPIX), lower interest earned on reserves and increased spend to save recharges than were assumed in the original model
- Biffa pay award, £556k. Budget increase to cover the estimated pay award, increase to the contract price and retention of HGV drivers.

3. <u>Conclusion</u>

3.1. Taking into account the forecast financial implications of COVID 19, confirmed and anticipated government funding and any other known budget changes the budget forecast is an underspend of £1.170m for 2021/22. There remain significant uncertainties and risks to the position as COVID 19 restrictions ease, these are being monitored closely.

3.2. Whilst the position for 2021/22 and 2022/23 looks manageable the financial position from 2023/24 becomes much more challenging. The Medium-Term Financial Strategy elsewhere on the agenda sets out the financial context for ensuring future financial sustainability.

Appendix 1 – Financial position - Period 9 (December) 2021/22

Financial Executive Summary

- After the first nine months of the year, the Council is projecting a £1.170m underspend for the year, with a projected overspend in Neighbourhoods Directorate of £1.9m offset by smaller underspends in the remaining areas.
- The demand pressure risks from Covid have been largely managed within budgets, however, the economic consequences of covid restrictions has been more severely felt on the Council's traded income streams.
- Lower than forecast commercial income, mainly from on and off-street parking, and Christmas market revenue, is the main driver of the Neighbourhoods overspend projection.
- £2.482m (6.1%) of approved savings are considered high risk and a further £5.287m (13%) are medium rated, out of total £40.717m, whilst the impact has been mitigated during the year, work is ongoing to find alternative savings where original plans have not been achieved recurrently.

Overall MCC Financials

Integrated Monitoring report Period 9 Total Forecast Variance

	Original Budget	Revised Budget	Forecast Outturn	Variance	Movement from P6
	£000	**£000**	**£000**	**£000**	**£000**
Total Available Resources	**(637,304)**	**(664,742)**	**(664,276)**	**466**	**0**
Total Corporate Budgets	97,931	105,834	105,442	(392)	(126)
Children's Services	118,761	120,632	119,932	(700)	10
Adult Social Care	223,767	224,843	224,301	(542)	2,427
Neighbourhoods Directorate	93,267	100,966	102,866	1,900	(1,503)
Homelessness	27,495	28,770	28,770	0	0
Growth and Development	10,580	(8,606)	(8,870)	(264)	338
Corporate Core	65,503	92,303	90,666	(1,637)	(1,154)
Total Directorate Budgets	**539,373**	**558,908**	**557,664**	**(1,244)**	**118**
Total Use of Resources	**637,304**	**664,742**	**663,106**	**(1,636)**	**(9)**
Total forecast over / (under) spend	**0**	**0**	**(1,170)**	**(1,170)**	**(9)**

**The large change in the net budgets of G&D and Core reflect that Facilities Management (£9.4m) and Operational Property (£6.5m) are now managed and reported under the Corporate Core.*

Corporate Resources £466k underachievement

	Annual Budget £000	Projected Outturn £000	Projected Variance £000	Movement since P6 £000
Retained Business Rates	(130,562)	(130,562)	0	0
Council Tax	(176,857)	(176,857)	0	0
Other Specific Grants	(145,332)	(144,866)	466	0
Business Rates Grants	(25,854)	(25,854)	0	0
Dividends	(4,913)	(4,913)	0	0
Use of Reserves	(181,224)	(181,224)	0	0
Total Corporate Resources	(664,742)	(664,276)	466	0

Corporate Resources - Financial Headlines

- Other specific grants - £466k shortfall: The Covid Sales Fees and Charges compensation grant claim is £0.885m lower than originally budgeted, because income collected was £1.2m higher than initially expected. This is partly offset by increased New Burdens income of £311k and £108k additional Local Council Tax Support Admin Subsidy.
- The use of reserves of £181m reflects the timing of the Business Rates S31 grants for Extended Retail Relief which was received in 2020/21 but is applied to offset the 2021/22 Collection Fund Deficit.
- Business Rates Collection as at the end December is 75% which compares to 64% by this point last year and 78% in 2019.
- Council Tax Collection at the end of December is 72%, the same as this point last year and compares to 74% in 2019/20.
- Invoices paid within 30 days is 83% compared to a target of 95%.
- £4.6m (16.4%) of pursuable debt was over a year old and still to be recovered by the Council. Progress is being made in resolving outstanding disputes which are preventing payment.

Corporate Budgets

Corporate Budgets £393k underspend

	Annual Budget £000	Projected Outturn £000	Projected Variance £000	Movement from P6 £000
Other Corporate Items	43,068	43,078	10	0
Contingency	3,465	3,465	0	0
Budgets to be Allocated	1,797	1,911	114	114
Levies	37,849	37,859	10	0
Historic Pension Costs	9,066	8,539	(527)	(240)
Transfer to Budget Smoothing Reserve	10,590	10,590	0	0
Total Corporate Budgets	105,835	105,442	(393)	(126)

Corporate Budgets - Financial Headlines

- Historic pension costs are forecast to underspend by £0.527m (5.8%) due to a reducing number of recipients.
- Levies are £10k overspent in relation to Probation Loans and the Port Health Levy. The £10k overspend against Other Corporate Items is due to an increase in the bad debt provision following a review of the position.
- Budgets to be Allocated are over-allocated by £114k, largely due to the estimated cost of the 2021/22 Pay Award which is yet to be agreed
- The approved budget included estimated pressures arising from COVID 19 costs and income shortfalls, which are being reviewed monthly. Where these budgets are underspending, they have been clawed back and credited to the smoothing reserve to support next year's position. So far £10.590m will be transferred to the smoothing reserve: £12.119m relating to covid budgets, £200k relating to Homelessness, £300k relating to carried forward budgets no longer required, and £1.254m released from Waste Levy Contingency, less the budget increase of £3.283m for electricity prices to Directorates.
- This is a net reduction in the transfer to the budget smoothing reserve of £19k from P6, due to the reversal of the £350k carry forward budget release from HR/OD as it is now needed, netted against a £131k covid budget release from Elections and £200k from Homelessness. Ongoing costs will be funded as part of the 2022/23 budget process.

Children's Services

Children's and Education Services - £0.7m underspend

	Annual Budget £000	Net actuals spend to date £000	Projected Outturn £000	Projected Variance from Budget £000	Movement from P6 £000
LAC Placement	38,876	29,180	37,301	(1,574)	75
LAC Placement Services	6,506	5,347	6,707	201	104
Permanence & Leaving Care	14,097	9,900	13,303	(794)	(340)
Safeguarding Service Areas	36,130	28,681	37,091	961	192
Children's Safeguarding	95,609	73,108	94,402	(1,206)	31
Education Services	8,679	8,915	9,363	684	31
Home to School Transport	10,162	5,184	9,963	(199)	(99)
Targeted Youth Support Service	824	812	824	0	0
Education	19,665	14,911	20,150	485	(68)
Strategic Mgmt & Business Support	5,358	3,947	5,380	22	47
Total Young People (Children's & Education Services)	**120,632**	**91,966**	**119,932**	**(700)**	**10**

Children's and Education Services - Financial Headlines

The overall forecast position as at Period 9 is an underspend of £0.7m, which is made up of:

- £1.574m Looked After Children (LAC) placement underspend mainly due to placements being 122 below what the budget was based on, reflective of the strategic approach to early help/preventative work undertaken by the Directorate.
- £201k LAC placement services overspend, House Project and Connected Persons Assessment Team costs are off set by underspend in the Fostering Team.
- £0.794m Permanence and Leaving Care underspends mainly due more cost-efficient placement approach and commissions for Unaccompanied Asylum-Seeking Children.

- £0.961m overspend in Children Safeguarding areas related to £1.030m in legal services. Whilst reducing, on average proceedings are taking 14 weeks longer than it did pre-pandemic. This backlog and shortage of lawyers Legal Services contribute to the externalisation of work. £400k Early Years pressure due to unfunded Children Centre costs and shortfall in lease income which is off set by underspends in Supervised Contact, Children's Safeguarding and Commissioning Services.
- £485k Education services pressures mainly relates to shortfall in attendance penalties being lower than expected due to Covid and pressures in the provision of short breaks for carers.
- £21k residual overspend in Strategic Management
- The need for Children's Services has increased as lockdown measures are relaxed; exacerbating socio and economic factors such as deprivation, domestic abuse, substance misuse and adult mental health have heightened due to the pandemic, contributing to an increase in external residential placements. As a result, it has been assumed the contingency £2.8m budget for managing additional demand will be fully utilised by year-end.

There has been a net £10k adverse movement since the period 6. The movement is mainly due to:

- A reduction in permanence, leaving care and LAC placements costs (£340k improvement)
- Increase in LAC placement and LAC placement services costs (£179k adverse movement)
- Safeguarding Service areas adverse change mainly due to increase in forecasted legal spend (£192k adverse movement)
- Home to School Transport (£68k improvement) following approval of inflation funding for petrol price increases
- Strategic Management underspend increase of (£47k adverse movement) following review of budget assumptions

Children's Services – Dedicated Schools Grant

Dedicated School Grant (DSG) - £2.167m overspend

	Annual Budget £000	Net actuals spend to date £000	Projected Outturn £000	Projected Variance from budget £000	Movement since P6 £000
Schools Block	195,372	141,071	195,663	291	224
Central Services Block	3,902	3,458	3,954	52	0
High Needs Block	89,222	62,761	90,681	1,459	1,213
Early Years Block	41,942	24,621	41,853	(89)	665

Deficit b/fwd less school clawback				**454**	
Overall DSG position	**330,348**	**231,911**	**332,151**	**2,167**	**2,103**

Dedicated Schools Grant - Financial Headlines

Dedicated Schools Grant (DSG) in 2021/22 totals £603m, of which £270m is top sliced by the Department for Education (DfE) to pay for academy budgets. The DSG overall position is projecting to overspend by £2.167m, as per period 9. There has been a £2.1m adverse movement since period 6 due to:

- Early years block £0.665m adverse movement, reductions in take up of the 2 and 3- & 4-year-olds Early Years entitlement
- High needs block £1.213m adverse movement, continued pressures within the high needs block. This part of the grant supports children with special education needs and special school places. This is linked to Post 16, out of area placements, Education Health and Care Plans (EHCPs) and alternative provision for excluded pupils. Post 16 is 83 students higher than expected at an average cost of £15k per student.
- Schools block £224k adverse movement due to additional spend in the growth fund.

The DSG settlement was received recently based on initial review it is expected that there is capacity to recover part of the deficit 2022/23.

Adult social care / Manchester Local Care Organisation

Adult Social Care and Population Health - £0.542m underspend

	Annual Budget £000	Net actuals spend to date £000	Projected Outturn £000	Projected Variance from Budget £000	Movement since P6 £000
Provider Services	28,972	20,249	29,243	271	(689)
Hospital Teams, Front door and TEC	2,998	2,168	2,725	(273)	(48)
Integrated Neighbourhood teams	50,669	29,515	51,414	745	3,943
Complex Services (LD (Learning and Disability), MH, Transition)	85,111	48,732	86,088	977	(686)

Commissioning MLCO (Manchester Local Care Organisation)	4,184	1,886	3,663	(521)	(116)
Back office, citywide support & growth	8,078	2,216	6,420	(1,658)	41
Total ASC Aligned Budget MLCO	180,012	112,975	179,553	(459)	2,445
MCC – Out of scope Population Health	42,704	22,321	42,704	0	0
MCC – Out of scope other	2,127	2,187	2,044	(83)	(18)
Total ASC and Population Health	**224,843**	**137,483**	**224,301**	**(542)**	**2,427**

Adult Social Care and Population Health - Financial Headlines

Overview of main variances (£0.542m underspend)
Considerable uncertainty remains across Adult Social Care (ASC) budgets with the ‘Omicron’ variant of Covid continuing to pose a significant challenge to both Health and Social Care. There is an increase in the underspend at P9 due to a range of factors, primarily:

- Some further reductions in expected spend on homecare and MH,
- Slippage on recruitment across a number of areas including in house provider services and social work roles,
- £5.5m reserve support identified for residential, nursing and homecare not required to be drawdown this year

Difficulties in the ability to attract qualified social workers and occupational therapists remains an issue with service managers reporting that candidates are not available across the jobs market, resulting in further increases in staffing underspends. These roles are critical to the delivery of the BOBL (Better Outcomes Better Lives) savings programme so consideration should be made to carry forward funding from 21/22 into 22/23 to support delivery of the programme. The requirements for this will be set out in the budget papers currently being finalised which will also describe the other impacts on 22/23 budget which will create a much more challenging environment than 21/22 including:

- The ending of GM transformation funding for the new care models, meaning that ASC roles within these services need to be funded through the mainstream ASC budget totalling £1.458m

- The ending of national hospital discharge programme funding meaning that we need to budget for contributing to spend on placements following hospital discharge totalling £1.535m
- The savings target linked to BOBL for 22/23 which is £8m

The 2022/23 budget process is taking account of these challenges and aiming to ensure that the right resources are in place to continue to manage demand effectively and continue the work of the BOBL programme

Concerns also remain for the wider social care workforce, where homecare providers in particular are struggling to attract staff into the market. This is also reflected in the difficulties service managers are having in recruiting and retaining grade 2 support workers within our own supported accommodation. Mandated vaccinations for the adult social care workforce from 1st April will also have an impact on both our in house reablement and supported accommodation services as well as the external market with detailed work underway in both areas following publication of guidance on 20th January.

There was an increase in residential and nursing numbers at period 9. The financial impact in 21/22 is limited but the full year effect may be a concern given the overall financial position for 2022/23 and in particular the ending of hospital discharge funding from CCG (Clinical Commissioning Group) partners in 22/23 to assist with the increased costs, as central government withdraws the funding. As the full year impact on residential and nursing provision is now expected to fall in 22/23, a contribution from the adult social care reserve of £5.5m will not be required in year by the Directorate and will not be drawn down from reserves as originally planned. The reserve will be utilised in supporting future years budget positions. The main variances are summarised below:

Provider Services (£0.271m overspend)

The pressure on this part of the budget continues to be driven by In-house Supported Accommodation (£1.276m). This is a reduction of £290k from period 8 due to specific measures employed by the service to reduce the footfall of agency staff entering properties throughout December to try and control 'Omicron'. There have also been a number of staff leavers. The overspend at period 6 was £1.722m and the reduction from then also reflect work on staffing rotas to reduce the reliance on agency staff. The pressure above is offset by underspends on Reablement (£0.641m), Day Centres (£287k), Equipment and Adaptations of £167k and other minor underspends.

Recruitment difficulties due to labour shortages in relation to lower graded support work roles in the in-house Supported Accommodation service remain. This is an on-going problem with a further 6 leavers at period 9. Shifts have been covered by existing staff whilst footfall into properties is being minimised until the present government guidelines regarding covid are amended. The Equipment and Adaptations Service is struggling to attract more specialist staff to complete assessments, such as occupational therapists. The Council is working with partners in relation to potentially sharing staff to support ongoing requirements.

£0.6m of the overspend is in relation to fire safety remedial works which requires additional staffing levels until mitigating capital works are completed. Confirmation has been received that work will commence in early 2022, with an expectation of being completed by the end of the financial year. Further work is underway in relation to the properties owned by the RSLs. Although this will not materially affect the financial position in 21/22 it will ensure that the service is in a much-improved position in 22/23. The service is now supporting 171 clients which is an increase of 1 from the start of the year. A review to assess the number of units required in the long term has been scoped and will include options to bring the capacity into line with the available budget.

Hospital Teams (£273k underspend)

The Hospital Social Worker budgets continue to have difficulties in the recruitment of qualified social workers resulting in vacancies being higher than anticipated.

Integrated Neighbourhood Teams (£0.745m overspend)

The reported forecast is a significant change from period 6 and reflects the decision to no longer utilise £5.5m of reserves to support the position in-year, reflecting the fact that the Directorate is underspending overall, and to defer the drawdown to 22/23 when the position is likely to be more challenging. The underspends on residential and nursing, homecare and other care have not reduced over the year, as client numbers have not recovered as quickly as anticipated when the budget was originally agreed. The position is also offset by underspends on the social worker staffing budgets of £317k, and safeguarding budgets of £130k. All of the above is offset by an overspend on direct payments of £1.553m. The movement from period 6 is mostly due to an increasing underspend on Homecare of £391k, staffing of £175k, other care of £118k and a reduction in spend on direct payments of £316k. All of these areas are offset by the £5.500m of reserves transfer which is no longer required in-year and as such has not been drawn down from the reserve.

The number of clients in residential and nursing provision remains significantly lower than pre-COVID levels. (852 at end of December 2021 vs 998 at March 2020). The 852 clients at period 9 is the highest level in this financial year and is an increase of 17 from period 8 and an increase of 23 from period 6. The reported financial position allows for the number of clients supported to remain stable for the remainder of the year and for £2.771m of clients on the CCG Broadcare system to transfer back to the council following an appropriate Care Act assessment. There is a joint approach now agreed with Health partners to develop capacity across the residential sector using a D2A (Discharge to Assess) model, which allows for timely discharge out of hospital into a care setting where a full care assessment regarding the client's needs can take place. This should ensure any future discharges from hospital result in the most appropriate level of care and support for each individual and support expected increased activity from hospital discharges.

The number of homecare hours commissioned has decreased this month and is at its lowest level all year. The number of commissioned hours is now 29,516 per week and it was 31,033 at April 2021. The number of clients supported has also reduced further and is now 1,927 when it was 2,029 at the start of the year. This reduction in both commissioned hours and client numbers is a contributing factor in not drawing down the £5.500m of funding from reserves in year but deferring the ask until 22/23 when numbers are expected to increase.

As previously reported, there are pressures within the homecare market as some providers are struggling to recruit and retain staff, which is constraining their ability to take on additional packages. It is not clear whether this is the direct driver of a reduction in commissioned hours (which would be a concern) or whether other factors are at play. The first part of central governments £1.8m one-off funding has been distributed to home care providers, to assist them with the retention of staff. The remaining monies will be used by the end of March 2022 to support the wider care market. The further funding announced mid-December of £3.333m will be used to increase hourly rates for all care providers. Modelling has shown that the increased funding will allow providers to increase the salaries of their staff to at least the Manchester Living Wage between mid December and March. However, the short term nature of the funding (has to be spent by March 2022) does not allow for this to continue into 22/23. Further modelling is underway to ascertain what is possible for 22/23 within the budget envelope. The challenge of providers struggling to pick up homecare packages in a timely manner continues to be off-set by our safety net of providers, albeit recruitment challenges persist for them as well. Attendance levels for all homecare workers have been impacted by ‘Omicron’. It is assumed that pressures throughout December will start to ease as cases across the country slowly start to reduce. However, there will be an impact from the mandated vaccination for the wider regulated care workforce from 1st April – our current data suggests that only 71% of homecare staff have had their first vaccination at the time of writing. Significant work is underway with providers where there is the biggest gap as well as significant support to individuals.

There are continuing underspends on external day care and supported accommodation (£372k in total) as the numbers attending the provision remain lower than before the pandemic. (120 clients at March 2020 and 86 as at period 9).

Complex Services

- There is a £0.977m overspend across the complex services budgets, which breaks down as
    - an overspend of £1.795m on external learning disability packages,
    - An underspend of £301k on specialist learning disability social workers,
    - offset by underspends of £0.519m on mental health.
- There has been a decrease in the Learning Disability commissioned package position at period 8 of £156k and from period 6 of £0.511m. This is reflected in a small decrease in the number of supported accommodation placements. Further work to step down clients into alternative placements as part of the BOBL programme has stalled as the service have a shortfall in suitably qualified social workers to undertake the required assessments. The underspend on the staffing budget is now £301k and reflects 13 vacant posts. It is now assumed that these

will not be filled in year and this will result in slippage on the savings programme. Work is now being modelled to calculate what level of progress can be made in 22/23 with an expected increase in staff over the coming year.
- There has been a net decrease of 10 clients from period 8 and 12 clients from period 6. Client numbers at period 9 are now 1,125, which is 10 lower than the start of the year. The main reason for the reduction this month is a re-alignment of 7 shared lives cases into mental health services.
- The pressures above are off-set by an underspend on mental health packages. There has been a net reduction of 8 clients across the main residential, nursing and supported accommodation budgets since period 8 and a reduction of 6 clients from period 6. This is a clear reversal in the trend which had shown an increase each month throughout the year up to this point. Client numbers across residential, nursing and supported accommodation are now 689, up from 629 on 1st April but down from the previous high of 697. Feedback from operational managers is that numbers of clients supported is likely to remain volatile for the remainder of the year.

Commissioning

- The commissioning of Extra Care provision is forecasting an underspend of £0.521m, which is a further reduction in forecast spend from period 6.
- The increased underspend reflects further slippage on the delay of the opening of the new schemes at Oaklands and Gorton Mill and the speed with which places are being taken up in the new provision. Once these facilities are fully operational it is expected that savings will be made elsewhere in the service, most likely in relation to residential placements.

Back Office

- Back office budgets are projected to underspend by £1.658m which is made up of:
    - £0.724m of BOBL investment yet to be deployed due to the recruitment challenges outlined above,
    - £419k of BCF (Better Care Fund) funding yet to be deployed,
    - Staffing underspends on Business Support of £261k due to recruitment delays,
    - Commissioning and back office of £254k on staffing (recruitment delays) and training budgets.
    - The movement from Period 6 is the removal of recruitment assumptions.

Population Health

- Population Health continue to forecast a balanced budget overall. Across individual service lines they are forecast to have underspends of c£1.500m by year end and these will be carried forward in accordance with the grant conditions and will allow for expected staffing pressures on Test and Trace activities in

2022/23 to be addressed, on-going commissioning activity to support the service post Covid-19 and new initiatives to address health inequalities brought to the fore through the impact of Covid.

- Significant numbers of staff continue to support all aspects of the city council's covid response and this will continue into 22/23. As stated above, the pressure will not dissipate on 1st April and senior managers across Population Health are now developing strategies on the best way forward. This will include work to support any requirements from the Council 'Marmot Group'.
- The other out of scope services have an underspend of £83k and reflect an underspend on the voluntary sector contracts due to a revised offer and recruitment slippage on Asylum budgets.

Neighbourhoods

Neighbourhoods overall - £1.900m overspend

	Annual Budget £000	Net actual spend to date £000	Projected Outturn £000	Projected Variance from Budget £000	Movement since P6 £000
Neighbourhood Management & Support	1,115	845	1,115	0	0
Operations and Commissioning	44,024	49,000	47,561	3,537	(995)
Parks, Leisure, Events and Youth	9,350	3,597	9,670	320	320
Compliance and Community Safety	16,039	8,311	15,059	(980)	(408)
Libraries, Galleries and Culture	9,617	7,115	9,354	(263)	0
Neighbourhood Area Teams	2,768	1,858	2,523	(245)	(99)
Other Neighbourhood Services	455	639	439	(16)	23
SUB TOTAL	**83,368**	**71,365**	**85,721**	**2,353**	**(1,159)**
Highways	17,598	2,790	17,145	(453)	(344)
SUMMARY TOTAL	**100,966**	**74,155**	**102,866**	**1,900**	**(1,503)**

Neighbourhoods Financial Headlines

Overview of main variances (£1.900m overspend)

Neighbourhoods Service continues to forecast an overspend of £1.9m, although this position has improved by £1.503m since the last report and the main variations since the last report are: -

- Operations and Commissioning - £0.995m reduced overspend due to higher than forecast income for sales, and the main variations are across markets £151k, advertising £162k, car parking £296k and £157k other minor variations. As part of 2021/22 savings £450k savings were approved in respect of a new advertising screen in Piccadilly Gardens - this was not considered as part of the redevelopment plans and the saving cannot now be achieved.
- Parks, Leisure and Youth - £320k adverse due to £494k reduced car park income whilst capital works are undertaken at the aquatics centre, offset by £174k reduced support to the leisure contract
- Community safety & Compliance, and Neighbourhoods have further staffed underspends of £0.507m due to a combination of vacant posts and revised recruitment assumptions.
- Highways Services - £344k due to a combination of increased fee income and other fees and charges.

The overall variance is £1.9m, and this is made up as follows: -

Operations and Commissioning - £3.537m overspend

- £1m shortfall in Christmas Markets revenue due to reduced scale of markets because of the Albert Square closure.
- School Catering provision transferred to schools from September 2021 – An in-year loss of £339k due to a combination of reduced income because of transfer timing and costs of ceasing service delivery. This is net of £0.626m drawdown from the remaining catering reserve.
- £151k underachievement of income for Markets which is made up of reduced income at both Longsight market £176k, Wythenshawe £29k offset by an overachievement at Gorton £30k and £24k across the rest of the Service. The position has improved by £121k since period 6 due to increased income and a reduction in running costs at New Smithfield Market £126k, Increased income and reduced employee costs at the Sunday Market Car Boot £70k offset by additional losses at Longsight £81k and minor variations of £6k.
- Head of Business Units budget is currently forecasted to underspend by £116k due to savings against supplies and services.
- Advertising is now forecasted to underachieve by £162k due to a loss of income at Piccadilly Gardens £275k but is mitigated by an improvement of £383k from the previous period due to agreeing a revised payment schedule with Media Co including additional income for January to March 2022. The proposed screen at

Picadilly Gardens is not now an option, and the £450k saving cannot be achieved.

- Grounds Maintenance – staffing underspends are partially offset by the increased cost of sub-contractors leaving a net underspend of £100k which is no change from period 6.
- Bereavement Services are now forecasted overachieve income by £180k as the first new cremator is now fully operational and the second one is due to be completed by the end of the financial year which is an improvement of £130k on the previous period.
- Pest Control has improved by £30k as the service is generating increased commercial and internal income and there has been a slight improvement of £7k on Fleet Services increasing the surplus to £33k.
- CCTV – Additional costs of £88k since period 6 due to increased cleaning costs and an extension to the CCTV specialist consultant making an overall overspend of £473k.
- £1.871m forecast reduced off street car parking income, which is an improvement of £296k on period 6 due to higher than forecast compensation for lost income for the closure of Deansgate Car Park for October to December £76k, additional sources of income now agreed via contract, increased income from PCN's with lower than forecasted costs for enforcement and improvements for pay on the day customer numbers

Parks, Leisure Events and Youth - £320k overspend

- Overall loss of income as a result of the closure of the Manchester Aquatics Centre (MAC) in December 2021 and significantly reduced use of the car park.

Compliance and Community Safety - £0.980m underspend

- The underspend has increased by £408k and is now forecast to be £0.980m overall. This is due to staffing underspends of £1.171m for revised recruitment assumptions, maximising the use of COMF (Contain Outbreak Management Fund) funding for staff being deployed on Covid related activities and net running cost being £39k lower than expected mainly due to a reduction in the forecast for landfill costs. These are partially offset by lower income recovery due to the pandemic, revised assumptions within income funded services and increased contract costs within the Domestic Violence Service.

Libraries, Galleries and Culture - £263k underspend

- Libraries net position is an underspend of £263k which is mainly due to £359k staffing underspends offset by income losses of £96k due to the lower footfall across libraries estate due to the pandemic, the forecast has not changed since period 6.

Neighbourhood Teams - £245k underspend

- The £245k underspend on Neighbourhood Teams is due to staffing underspends because of a combination of vacant posts and staff not being at top of grade, the underspend has increased by £99k since the last report.

Other Neighbourhoods Services - £16k underspend

- The underspend is due to reduction in the current years City Co contribution with an adverse movement of £23k since period 6 due to minor running cost variations.

Highways - £453k underspend

- The underspend is due to £164k additional income from permits and licensing, reduced by £29k overspend on Accidents and Trips. Increased income on the capital programme of £276k for accelerated works on walking and cycling schemes due to funding expiration, additional scope of works on active neighbourhood schemes and third party development statutory approvals have increased. There are other small variances on Highways Maintenance of £42k

Homelessness – Breakeven

Homelessness	Annual Budget £000	Net actual spend to date £'000	Projected Outturn £000	Projected Variance from Budget £000	Movement from P6 £000
Singles Accommodation	1,601	873	1,517	(84)	(92)
B&B's (Room only)	4,094	4,133	5,813	1,719	281
Families Specialist Accommodation	314	281	267	(47)	(2)
Accommodation Total	6,009	5,287	7,597	1,588	187
Floating Support Service	1,808	1,435	1,704	(104)	(40)
Dispersed & Temporary Accommodation Management Fee	3,380	2,999	4,569	1,189	107
Dispersed Accommodation Total	5,188	4,434	6,273	1,085	67
Homeless Management	90	749	979	79	31

Homeless Assessment & Caseworkers	2,373	2,194	2,183	(190)	(106)
Homelessness PRS & Move On	1,809	1,005	1,809	0	0
Rough Sleepers Inreach/Outreach	487	245	487	0	0
Tenancy Compliance	158	96	171	13	36
Homelessness Support Total	5,727	4,289	5,629	(98)	(39)
Commissioned Services	7,616	4,502	7,616	0	0
Commissioned Services Total	7,616	4,502	7,616	0	0
Covid-19 Response	4,230	450	1,655	(2,575)	(215)
Covid-19 Response Total	4,430	450	1,655	(2,575)	(215)
Total	28,770	18,962	28,770	0	0

Homelessness Financial Headlines

Homelessness remains a high risk area, with uncertainty in relation to demand for services in the coming months. It is anticipated that current activity levels will increase during the year as financial support for individuals and the eviction ban ends is felt across the city. The reported position for Period 9 is breakeven, in period 6 a balanced budget was reported with an expected underspend of £329k if activity levels remained in line with those at P6. If activity remains in line with P9 forecasts Homelessness would have reported a £200k underspend, therefore £200k of the Covid-19 allocated funding has been transferred to the smoothing reserve.

Winter provision across the City agreed between the Council, DLUHC and Partners is in place and within the funding budget of £481k.

Additional income received for Homelessness Prevention Grant Top Up £0.689m, the purpose of this exceptional payment is to support low-income vulnerable renters with COVID-19 related rent arrears to avoid eviction or find a new home where necessary in order to prevent homelessness, with local authorities able to target funding to those who need it most and help them get back on their feet. Protect and Vaccinate £0.729m, over the course of the pandemic, one of the most immediate ways to prevent transmission of COVID-19 amongst those sleeping rough is to provide self-contained accommodation, given the new threat posed by Omicron DLUHC have recognised the need to go further. Therefore, a £25 million funding package to support all local authorities across England to find appropriate accommodation and, most importantly, to use this as a way of boosting vaccination rates across this vulnerable population. This funding is being utilised to make offers of safe and appropriate accommodation to people who are rough sleeping now. This will include people who may have previously been offered accommodation but rejected it or left accommodation, and individuals new to rough sleeping who require help to move on from rough sleeping.

Overview of main variances:

- Bed and Breakfast (B&B). Forecast overspend of £1.719m based on current numbers, average placements per night were 280 for singles and 88 families in December. It is worth noting that the flow of dispersed temporary accommodation has decreased and is impacting on the number of families in B&B, the numbers of presentations remains high. The forecast outturn is an increase of £281k since the last reported position in P6 when the average number of singles supported were 248. The current net cost of B&B provision is £112k per week (£5.8m p.a.)
- Dispersed accommodation and temporary accommodation management fee. Forecast overspend of £1.189m based on current numbers, this is an increase of £107k from the last reported position in P6, as the pace at which properties transferred to District Homes as part of the pilot has reduced. The current housing subsidy loss to the Council is £149k per week (£7.7m p.a.). Placements at the end of December were 1,712, compared with 1,969 in March 2021. This is a reduction of 257 from March 2021 with 330 properties transferring to the District Homes pilot, to date with District Homes due to take on the management of 400 properties. The number of dispersed properties increased by 306 in 2020/21. An uplift of £27 per week for new 2 bedroom properties within the Manchester boundary has been implemented to stimulate supply for new properties in the Dispersed Accommodation scheme, increased supply will impact on the use of B&B accommodation, therefore reducing B&B expenditure.
- Homelessness Private Rented Sector (PRS) and Move On. Although a balanced budget is reported in Period 9, a budget virement of £1.059m has been actioned from the budget allocated as part of the 2021/22 budget setting process from the COVID 19 response area to match the updated forecast spend. Further work is being undertaken to review the current relationships with PRS providers with a view to increase supply in the City. Increased spend on PRS should result in a reduction in the forecast spend for B&B and Dispersed as residents move into the Private Rented Sector where move on from temporary accommodation is the outcome, however a large proportion of the spend is incurred by preventing current tenants from losing their tenancy and therefore requiring temporary accommodation in the first instance.

The above pressures are offset by an underspend of £2.576m on Covid-19 allocation. Budget allocation has not been vired from COVID 19 underspend to cover pressures in B&B and Dispersed, as these are not viewed as the long term solutions to provide better outcomes for residents.

Future demand assumptions are being reviewed as part of the 2022/23 budget process with a view that the service takes positive preventative action to contain and then reduce demand.

Housing delivery and HRA (Housing Revenue Account) - £10.810m underspend

	Annual Budget £000	Net Actual Expenditure/ (Income) £000	Projected Outturn £000	Projected Variance from Budget £000	Movement since P6 £000
Housing Rents	(61,617)	(30,651)	(61,563)	54	54
Heating Income	(533)	(267)	(533)	0	0
PFI (Private Finance Initiative) Credit	(23,374)	(11,687)	(23,374)	0	0
Other Income	(1,131)	(503)	(1,144)	(13)	(4)
Funding From Investment Reserve	(237)	0	(100)	137	30
Funding from General/MRR Reserves	(16,694)	0	(16,694)	0	0
Total Income	**(103,586)**	**(43,108)**	**(103,408)**	**178**	**80**
Northwards R&M & Mgmt Fee	25,415	6,814	26,497	1,082	154
PFI Contractor Payments	32,476	19,202	30,813	(1,663)	(1,663)
Communal Heating	532	180	532	0	0
Supervision and Management	5,489	3,174	5,352	(137)	(198)
Contribution to Bad Debts	930	(185)	400	(530)	(530)
Depreciation	18,435	0	18,435	0	0
Other Expenditure	1,305	400	1,308	3	8
RCCO	16,241	0	6,498	(9,743)	(1,934)
Interest Payable and similar	2,763	0	2,763	0	0
Total Expenditure	**103,586**	29,585	92,598	(10,988)	(4,163)
Total HRA	**0**	**(13,523)**	**(10,810)**	**(10,810)**	(4,083)

Movement in General/MRR Reserves	**Opening Balance**	**Budgeted Adjustment**	**Forecast Closing Balance**	**Additional Adjustment**	**Revised Forecast Closing Balance**
	81,115	(16,694)	64,421	10,810	75,231

HRA Financial Headlines

Overview of main variances (£10.810m underspend)

Underspends of £12.086m:

- Reduced contribution towards capital expenditure of £9.743m. This is mainly due to a revision in the Capital Programme budget which occurred after the Business Plan/budget was agreed by Members.
- Reduced PFI Contractor payments of £1.663m, mainly due to a deferral in planned sprinkler works. This expenditure will now take place in 2022/23 and 2023/24.
- A reduction of £0.530m in the bad debt requirement, which has been increased as part of the budget process has not materialised in the current financial year.
- A reduction in staffing costs funded by the Investment Reserve of £137k
- Increase in Other Income of £13k. Two providers have reported small VAT Shelter amounts due back to the Council.

Offset by overspends of £1.276m:

- Increase in the Repairs and Maintenance (R&M) and Management Fee (formerly paid to Northwards) of £1.082m. This is due to backlog R&M costs and other charges identified at the change of supplier for the contract of c£0.7m, increased council tax charges for void and empty properties of £300k, increased electricity costs of £288k, and a projected in year deficit in Northwards original budget of £250k, offset by staffing underspends of c£456k.
- A reduction in forecast rental income of £54k.
- A reduced drawdown from the Investment reserve of £137k to fund salaries as above.
- Other smaller increase totalling £3k.

Any surplus/deficit in year has to be transferred to/from the HRA reserve. At Period 9 it is forecast that £5.884m will be transferred from reserves at year end, leaving £75.231m in the HRA General Reserve at the end of the year.

Growth and Development – £264k underspend

Growth & Development	Annual Budget	Net actual spend to date	Projected Outturn	Projected Variance from Budget	Movement from P6
	£000	£000	£000	£000	£000
Investment Estate	(12,560)	(4,445)	(13,161)	(601)	142
Manchester Creative Digital Assets Ltd (MCDA)	250	(352)	591	341	150

Growth & Development	156	255	156	0	0
City Centre Regeneration	1,275	1,459	1,275	0	0
Housing & Residential Growth	1,147	1,313	1,143	(4)	(4)
Planning, Building Control & Licensing	(744)	(1,211)	(744)	0	0
Work & Skills	1,870	965	1,672	(198)	(148)
Manchester Adult Education Service (MAES)	0	(312)	198	198	198
Our Town Hall Project	0	1,323	0	0	0
Total Growth & Development	(8,606)	(1,005)	(8,870)	(264)	338

Growth and Development - Financial Headlines

Overview of main variances (£264k underspend)

Currently Growth & Development is forecasting to underspend by £264k. The main reasons for this are as follows:

- Investment Estate – underspend of £0.601m, made up of additional rental income from Heron House, offset by rent review costs giving a net saving of £482k, net additional income across the remainder of the estate of £472k, and other smaller savings of £113k on supplies and services, offset by additional requirement for bad debt of £466k.
- Manchester Creative & Digital Assets – overspend of £341k due to a reduction in income because of ongoing reluctance to commit to screening because of Covid, this has been partially offset by staffing underspends
- A small underspend in Housing & Residential Growth of £4k.

Work and Skills is also currently forecasting an underspend of £198k which is being used to offset one-off costs in MAES as the service downsizes to operate within its external funding streams.

Additional budget was made available at the start of the year to offset income reductions in the following areas because of COVID 19:

- Investment Estate – the impact is currently forecast to be in the region of £0.500m, mainly reflected by an increased requirement for bad debt provision.
- Building Control and Land charges
- Premises Licensing – a large element of this income is derived from the hospitality section

Mainstream funded staffing underspends due to vacancies of £0.566m are offsetting additional costs or income losses, with the main areas as follows:

- Investment Estate - c£300k of income shortfall
- Housing and Residential Growth - c£100k of additional costs and loss of external income

The main area of risk is the Investment Estate income, with the longer term effect of the pandemic on the estate unknown, and further details awaited of likely income from Heron House, Wythenshawe Town Centre, and the Arndale Centre which have performance elements embedded into the lease payments the council receives.

Corporate Core – £1.637m underspend

Chief Executives	Annual Budget £000	Net actual spend to date £000	Projected Outturn £000	Projected Variance from Budget £000	Movement since P6 £000
Coroners and Registrars	2,140	1,270	1,858	(282)	(257)
Elections	1,069	3,363	1,069	0	15
Legal Services	6,970	5,440	5,903	(1,067)	(798)
Communications	3,111	2,254	3,111	0	0
Executive	966	687	958	(8)	(8)
Legal, Comms, Democratic Statutory Sub Total	14,256	13,014	12,899	(1,357)	(1048)
Corporate Items	505	1,401	558	53	(47)
Chief Executives Total	**14,761**	**14,415**	**13,457**	**(1,304)**	**(1,095)**

Corporate Services	Annual Budget £000	Net actual spend to date £000	Projected Outturn £000	Projected Variance from Budget £000	Movement since P6 £000
Policy, Performance and Reform	13,873	13,369	13,838	(35)	42
Finance, Procurement, Commercial Gov'nce	7,486	6,015	7,493	7	66
Customer Services and Transactions	18,727	25,183	18,399	(328)	(5)
ICT (Information & Communication Technology)	15,168	12,684	15,073	(95)	103

Human Resources & OD (Organisational Development)	4,042	2,918	4,042	0	0
Audit, Risk and Resilience	1,341	944	1,226	(115)	(30)
Capital Progs, Operational Property, Facilities	16,905	11,244	17,138	233	(235)
Corporate Services Total	**77,542**	**72,357**	**77,209**	**(333)**	**(59)**
Total Corporate Core	**92,303**	**86,772**	**90,666**	**(1,637)**	**(1154)**

Corporate Core - Financial Headlines

Corporate Core are forecasting a net £1.637m underspend

Key variances are:-

- Coroners and Registrars £282k underspend due to additional income from civil ceremonies and registration of births and deaths.
- Legal Services £1.067m underspend due to underspends on employee budgets due to timing of recruitment to Commercial and Regeneration team vacancies £414k, charges to both internal and external clients, and due to increased levels of activity the fee income is forecast to be £207k higher than budget and Governance and Scrutiny £246k on supplies and services.
- Corporate Items – the numbers of staff requesting to purchase additional annual leave continues to be low despite improving since Period 6, the forecast is that the income from the annual leave scheme will be £53k lower than budget. This is expected to improve next year as international travel restrictions ease.
- Policy, Performance and Reform £35k underspend due to underspends on employee budgets due to timing and recruitment to vacancies £251k offset by reduced income from project activity £216k
- Finance, Procurement and Commercial Governance £7k overspend made up of a £258k underspend on employee budgets due to timing and recruitment to vacancies. This is offset by £139k for the contribution to consultants' costs for work reviewing Manchester Airport Group pension proposals, £66k for Corporate Leadership training and £60k for bad debts and bank charges.
- Customer Services and Transactions - £328k underspend due to underspends on employee budgets due to timing and recruitment to vacancies £159k and underspends across supplies and services £169k.
- ICT - £95k underspend due to underspends on employee budgets due to the timing and recruitment to vacancies £486k partly reduced by £288k of reduced income charged to projects and £103k consultancy costs for the service peer review.
- Audit - £115k underspend due to underspends on employee budgets due to timing and recruitment to vacancies.

- Capital Programmes - £233k overspend due to £0.610m unachieved operational property savings, Wythenshawe Hall additional security costs £117k, Abraham Moss reduced income £87k partly offset by reduced security costs in facilities management £84k, £191k underspend on employee budgets in Operational Property of £64k and facilities management of £127k and a further £306k income achieved in capital programmes.

There has been an increase of £1.154m in the underspend since last reported in P6. This is mainly due to underspends on employee budgets and improved income in legal services £0.798m, Registrars and Coroners improved income £257k, Capital Programmes improved income £151k, Facilities Management reduced security costs £84k reduced by additional costs in ICT £103k.

Chief Executives will seek to carry forward of c£400k for the 22/23 Elections subject to appropriate approvals.

Savings Achievement - £2.482m high risk

	Savings Target 2021/22			
	Low Risk £000	**Medium Risk £000**	**High Risk £000**	**Total £000**
Children's Services	11,149	0	1,210	12,359
Adult Social Care	10,597	1,000	0	11,597
Neighbourhoods Directorate	2,308	3,103	1,272	6,683
Homelessness	2,335	0	0	2,335
Growth and Development	840	268	0	1,108
Corporate Core	5,719	916	0	6,635
Total Budget Savings	**32,948**	**5,287**	**2,482**	**40,717**

Savings Headlines

£40.717m approved savings, £2.482m (6.1%) are considered high risk as follows:

- Children's Services - £1.210m. Made up of £0.802m which relates to leaving care due to a delay in registered provider's provision and is expected to be achieved once provision is delivered; £408k relates to multi agency agreement caps and achievement of this is dependent on the number of placements being agreed through this mechanism. The underachievement is mitigated by underspends in the current financial year.
- Neighbourhoods - £1.272m high risk savings relate to car parking income for the off street car parking due to the impact of COVID, and particularly annual season ticket income. It is unclear if these will return to pre-COVID levels, however, work is ongoing to explore options to attract more non commuter users.

£5.287m of savings (13.0%) are considered medium risk as follows:

- Adults - £1.000m – There is a concern that delays to recruitment have impacted on the start of the BOBL programme. This delay is has meant that £300k of savings have been verified to date from the number of clients packages which have been reviewed. Further work is underway to reprofile when future savings will be achieved.
- Neighbourhoods – £3.103m. Car parking income represents £2.828m of the medium risk savings, with recovery from the pandemic being slower than anticipated. It is expected that that usage will return towards pre-pandemic levels by the start of 2022. Work is taking place to look at options around increasing users including increased marketing and alternative uses such as tourists and hotel users. £275k of advertising income in relation to a proposed new advertising screen at Piccadilly Gardens is considered at moderate risk of being achieved this year. Discussions are ongoing with both the Events team and City Centre Regeneration around plans for the area and how a screen can potentially be integrated in the short term. Once agreed a planning application will be required, it is expected that this saving will be achieved in 2022/23.
- Growth and Development - £268k. Of which £193k is in relation to a service redesign within planning, on which alternative proposals are being developed. The service has made tactical savings to offset this in 2021/22 with alternatives being brought forward for 2022/23. £75k of additional investment estates income will be delayed, but fully achieved in 2022/23, the shortfall has been met from elsewhere in the estates budget.
- Corporate Core - £0.916m. A net savings target of £0.610m was set in respect of reduced office costs as part of reviewing the estate requirements linked to the Town Hall redevelopment. The initial £0.610m saving for 2021/22 has not been achieved due to delays in exiting buildings. Some of this will be achieved as planned in 2022/23, officers are identifying options for replacing the unachieved savings. £306k relates to staffing reductions in HR/OD. This has been mitigated in this financial year through ongoing vacancies in lieu of the service redesign. The service is continuing to work through their restructure to ensure the structure meets the service needs, and this is mindful of the need to deliver with a reduced overall number of posts. It is expected this saving will be achieved in 2022/23 once the new structure is implemented.

Appendix 2 – COVID 19 related grants 2021/22

		Memo: Budget treatment		
Funding	**Manchester Allocation**	**Specific Directorate Budget Increase**	**Emergency Funding / SF&C**	**Agency ***
	£000	**£000**	**£000**	**£000**
Grants notified since P6 Exec:				
Test and Trace Support Payments (October - December)	423	254		169
New Burdens 4 Restart and ARG Grant Schemes	182	85		97
Adults - Workforce Recruitment and Retention Fund	1,805	1,805		
Adults - Community Vaccine Champions Programme	185	185		
Adults - Adult Social Care Omicron Support Fund	666	666		
Homelessness - Protect and Vaccinate	729	729		
Homeless Prevention Grant Top Up	689	689		
Business Support - Omicron Hospitality and Leisure Grant	6,090			6,090
Core (R&B) - Additional Restriction Grant Omicron (ARGO)	999	999		
Section 31 Extended Retail Relief	91,515			91,515
Covid Additional Relief Fund (CARF)	23,994			23,994
Grants announced and approved since 2021/22 budget report:				
Adults - Infection Control Fund	1,897	569		1,328
Adults - ICF5 - Infection Prevention and Control (IPC)	2,111	615		1,496
Adults - Rapid Testing in Adult Social Care	1,343	441		902
Adults - LA Framework / Practical Support for Self-	1,227	1,227		

		Memo: Budget treatment		
Funding	**Manchester Allocation**	**Specific Directorate Budget Increase**	**Emergency Funding / SF&C**	**Agency ***
	£000	**£000**	**£000**	**£000**
Isolation (April - September)				
Local Authority Community Testing Plan April to August	568	568		
Neighbourhoods - Contain Outbreak Management Fund	5,737	5,737		
Neighbourhoods - Cultural Recovery	303	303		
Children's - Covid Local Support Grant	3,037	3,037		
Core - Welcome Back Fund	489	489		
Core - New Burdens Business Support Grants	415	415		
Core - Test and Trace Support Payments (April - September)	1,646	1,047		599
Household Support Fund	6,453	6,453		
Support for businesses:				
Core - Additional Restriction Grant Top Up (16 July)	4,311	4,311		
Restart Grant (from 1 April 2021 - 2021/22)	35,935			35,935
Grants approved in 2021/22 budget report:				
COVID-19 Emergency Funding for Local Government - (fifth tranche)	22,229		22,229	
Sales, fees and charges forecast grant 2021/22	3,596		3,596	
Local Council Tax Support grant	5,711		5,711	
Grants approved in 2020/21:				
Reopening High Streets Safely Fund	286	286		

		Memo: Budget treatment		
Funding	**Manchester Allocation**	**Specific Directorate Budget Increase**	**Emergency Funding / SF&C**	**Agency ***
	£000	**£000**	**£000**	**£000**
Test and Trace Support Payment (April - July)	939	632		307
Total COVID-10 grants expected 2021/22	**225,510**	**31,542**	**31,536**	**162,432**

*The Council is acting as agent to administer these grant schemes. 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.

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Manchester City Council
Report for Resolution

Report to: Executive – 16 February 2022
Council – 4 March 2022

Subject: Capital Programme Monitoring 2021/22

Report of: The Deputy Chief Executive and City Treasurer

Summary

This report informs Members of:

(a) Progress against the delivery of the 2021/22 capital programme to the end of December 2021.

(b) The latest forecast of capital expenditure and the major variances since the Capital Programme Monitoring report submitted in September 2021.

(c) The proposed financing of capital expenditure for 2021/22 and affordability of the Capital Programme.

Recommendations

Executive is requested to note the contents of the report.

Council is requested to note the contents of the report.

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 regarding 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 2021/22 for Manchester City Council is £328.2m compared to the current approved budget of £502.2m. Spend as of 31st December 2021 was £173.3m. The programme is subject to continual review to establish whether the forecast remains achievable. Whilst the intention is for the City Council to progress the programme as stated, some projects and their sources of funding may require re-profiling into future years. The total approved programme is forecast to be £1,139.1m over the next four years.

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Background documents (available for public inspection):

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

- Report to the Executive 17th February 2021 – Capital Strategy and Budget 2020/21 to 2024/25
- Report to the Executive 17th March 2021 – Capital Update Report
- Report to the Executive 2nd June 2021 – Capital Update Report
- Report to the Executive 30th June 2021 – Capital Update Report
- Report to the Executive 28th July 2021 – Capital Programme Monitoring 2021/22
- Report to the Executive 28th July 2021 – Capital Update Report
- Report to the Executive 15th September 2021 – Capital Update Report
- Report to the Executive 20th October 2021 – Capital Update Report
- Report to the Executive 17th November 2021 – Capital Programme Monitoring 2021/22
- Report to the Executive 15th December 2021 – Capital Programme Monitoring 2021/22

1 Introduction

1.1 The purpose of the report is to:

- Provide an update to members on the progress of the global capital programme in the three months to the end of December 2021, including activity, benefits realised, financial implications and risk;
- Provide a more detailed update on the major projects within the programme;
- Confirm that there are adequate levels of resources available to finance the capital programme.

2 Background

2.1 The Executive approved the Capital Budget for the period 2021/22 to 2024/25 in February 2021. Since then, subsequent capital budget update reports were submitted to the Executive, the cumulative effects of which can be seen at Appendix A. The revised capital budget for 2021/22 is therefore £502.2m, with a further £652.8m budgeted to be spent across 2022-2025, taking total Council led capital investment in the city to £1,155.0m.

2.2 The full revised capital forecast for each project, taking into account forecast re-profiling required, can be found in the Capital Strategy elsewhere on the agenda.

3 Contributing to a Zero-Carbon City

3.1 To reflect the climate change emergency that the Council has declared, capital expenditure business cases are now required to include carbon measures 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.

3.2 In February Executive agreed to the adoption of the Manchester Low Carbon Build Standard for future capital projects, and this has been implemented. Work is now ongoing to develop specific measurable carbon metrics across the capital programme, for both during and post-acquisition/construction phases of a project, that will enable comprehensive reporting on the intended and achieved carbon reductions created through the programme. It is intended that this will form part of these monitoring reports.

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.

4.3 The post pandemic inflationary pressures are being acutely felt in the construction sector. Officers are working with contractors to contain and mitigate costs as much as possible, and our capital programme has a number of project contingencies which will absorb pressures wherever possible and further approvals sought if these proves insufficient.

5 Capital Programme Forecast 2021/22

5.1 The latest forecast of expenditure for the Manchester City Council Capital Programme in 2021/22 is shown in the table below. The main variances relate to Co-op Academy, Our Town Hall, The Factory, active travel schemes, and Gorton Health Hub, and are discussed in more detail in the following sections.

Manchester City Council Programme	2021/22						
	Current Budget	Forecast at Q1	Forecast at Q2	Forecast at Q3	Variance Q3 to Q2		Spend to Date
	£'m						£'m
Highways	66.3	*57.8*	48.0	40.9	(7.1)		22.3
Neighbourhoods	47.3	*36.7*	38.6	35.7	(2.9)		14.3
The Factory and St John's Public Realm	56.5	*53.3*	50.6	42.6	(8.0)		26.4
Growth and Development	94.8	*93.0*	83.2	64.3	(18.9)		24.7
Our Town Hall Refurbishment	70.9	*67.7*	60.4	53.8	(6.6)		30.5
Housing – General Fund	17.7	*15.8*	18.6	17.1	(1.5)		9.9
Housing – Housing Revenue Account	31.2	*31.0*	28.3	23.8	(4.5)		13.5
Children's Services	46.4	*44.9*	33.7	31.1	(2.6)		21.2
ICT	7.1	*7.0*	6.4	6.4	0.0		3.6
Corporate Services	19.0	*15.0*	14.5	12.4	(2.1)		6.9
Total (exc. contingent budgets)	**457.2**	***422.2***	**382.3**	**328.1**	**(54.2)**		**173.3**
Contingent Budgets	45.0	*45.0*	45.0	0.0	(45.0)		0.0
Total	**502.2**	***467.2***	**427.3**	**328.1**	**(99.2)**		**173.3**

5.2 The all-years capital forecast is shown in the table below:

Manchester City Council Programme	2021/22	2022/23	2023/24	2024/25	Total	All Years Variance to Current Budget
Highways	40.9	47.4	0.6	0.0	88.9	(0.6)
Neighbourhoods	35.7	62.7	15.5	0.9	114.8	0.1
The Factory and St John's Public Realm	42.6	46.5	0.0	0.0	89.1	0.0
Growth and Development	64.3	83.2	61.5	5.0	214.0	(1.8)
Town Hall Refurbishment	53.8	86.1	68.1	42.2	250.2	0.0
Housing – General Fund	17.1	27.3	37.0	2.7	84.1	(1.6)
Housing – Housing Revenue Account	23.9	37.6	30.5	14.6	106.6	(4.5)
Children's Services	31.1	37.7	24.7	0.0	93.5	0.1
ICT	6.4	6.8	6.8	0.0	20.0	(0.4)
Corporate Services	12.3	11.0	0.5	0.5	24.3	(7.3)
Total *(exc. Contingent budgets)*	**328.2**	**446.3**	**245.1**	**65.9**	**1,085.5**	**(15.8)**
Contingent Budgets	0.0	47.8	5.8	0.0	53.6	0.0
Total	**328.2**	**494.1**	**250.9**	**65.9**	**1,139.1**	**(15.8)**

5.3 As shown in the table above, there are a small number of all year variances across the Capital Programme which total a net forecast underspend of £15.8m. £4.0m relates to projects that will complete with an underspend. £11.8m relates to budgets that need to be removed. The Next Steps Accommodation Programme, Sharp Project, Beswick Filtered Neighbourhood Project, Heron House & Registrars, North Manchester New Builds Project, Other Improvement Works projects along with smaller projects within Highways, Growth & Development and ICT are expected to complete under budget.

5.4 The loan element of the funding agreement within Biomedical Investment is not expected to be required, reducing the budget requirement by £7.3m. Parkhill Land Assembly programme is now part of Project 500 and will not be developed by MCC, reducing the budget requirement by £4.3m. There is a budget reduction of £0.3m relating the Strategic Acquisitions Programme, which relates to the removal of the remaining Spire budget.

5.5 The budget is expected to be reduced for these underspends/budget reductions when it is next revised in February, allowing any funding associated with it to be released for other investment priorities. There are also several projects which are currently forecast to require reprofiling over years, and these changes will also be reflected in the capital outturn report.

5.6 A more focussed look at the top 10 projects is provided in Section 6 below. These projects cover 52% of the total programme. Section 7 provides details of any other material changes relating to other parts of the programme since the last report to Executive.

5.7 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 ICT Fund and the budget for inflation pressures. These will be allocated as the schemes are progressed and the business case for approval completed, or in the case of inflation the business case showing the impact of inflationary pressures on a scheme completed. They are then subject to approval through the Council's capital approval process.

6 Major Projects

6.1 The top ten budget by value remaining are shown in the table below:

Project	**Current Budget 2021/22**	***Forecast at Q2***	**Forecast at Q3**	**In Year Variance**	**Spend to date 2021/22**	**Total Budget (All Years)**	**Total Variance (All Years)**
	£m						
Our Town Hall Refurbishment	70.9	60.4	53.8	(17.1)	30.5	305.1	0.0
The Factory & St John's Public Realm	56.5	50.6	42.7	(13.8)	26.4	196.8	0.0
Housing Infrastructure Fund (Victoria North)	12.5	12.5	4.0	(8.5)	2.3	51.0	0.0
Carbon Reduction Programme & Public Sector Decarbonisation (PSDS)	20.6	20.6	20.3	(0.3)	3.3	43.4	0.0
This City Housing Delivery	0.7	0.0	0.7	(0.0)	0.0	33.7	0.0
Co-op Academy Belle Vue	21.6	10.7	9.2	(12.4)	5.3	31.5	0.0
Manchester Aquatics Centre	7.5	5.7	5.2	(2.3)	0.0	30.5	0.0
Collyhurst	2.0	2.0	0.4	(1.6)	0.3	29.5	0.0
Hammerstone Road Depot	11.4	7.5	3.8	(7.6)	1.6	25.0	0.0
National Cycling Centre	6.0	6.0	6.0	0.0	1.5	24.6	0.0

6.2 Following approval of This City Housing Delivery project in December 2021 with a budget value of £33.7m, the Abraham Moss project, with a budget value of £22.3m, has been removed from this list.

Our Town Hall Refurbishment

6.3 The Our Town Hall Refurbishment project is forecasting to be within budget, although the project has faced several challenges including the impact of COVID-19, issues identified relating to discovery on site, and the scale of complexity of the design work required.

6.4 For 2021/22 the forecast spend is £53.8m compared to a revised budget of £70.9m, a variance of £17.1m. This is an increased variance of £6.6m since quarter 2.

6.5 The budget reflects an earlier iteration of the current programme, which has been reset during the year. The strategy and timing of the procurement of several packages has changed, which is reflected in the revised forecast. The main packages that have been affected are:

- The Non-Structural Alterations package, which was originally due to start in April 2021, but the revised strategy now has the package starting in early 2022.
- The mechanical, electrical and plumbing engineering (MEP) package and other packages have been affected by late design and discovery on site, which in some cases has led to re-design.

6.6 The project has also been re-forecasted this period and the use of contingency requires £4.7m to be re-profiled.

6.7 A total of £134.0m worth of packages have now been procured, and there are 27 packages remaining with a value of £36.0m. At this point, 83% cost surety has been achieved with the project expecting to achieve 90% cost certainty by April 2022, based on current design release dates. Risks will be carefully managed through and across the various work packages. External factors such as inflationary pressures, supply chain uncertainty, the impact of COVID-19, and the availability of sufficient appropriate specialists, will be monitored to ensure prompt action can be taken to reduce any negative impact on cost and programme.

6.8 During quarter 3, perimeter works to Albert Square were accelerated and commenced in October and are scheduled to complete in June 2022. Stakeholder engagement sessions have been ongoing with local businesses and landowners, which have been positive, and the acceleration proposals have their support. Scaffold to the clock tower has been erected, steel for the Bee Rooflight has been installed and good progress has been made with the installation of new stone to the chimneys and the façade. Timber and leaded light window refurbishments are also progressing well. The Civic Quarter Heat Network (CQHN) has progressed connections to the building and extensive structural alterations are progressing in the Jury Courts. The Lloyd Street goods lift shaft has been completed.

6.9 In the next quarter, work plans and site logistics have been agreed to enable works to commence directly outside local businesses from early 2022. Progress will continue on the temporary roofs above the central plant deck and Cooper Street tower. Chimney refurbishment works and leaded light and timber window repairs will continue. Work will be carried out on the Princess Street lift core and the Lloyd Street goods lift installation is due to commence.

The Factory

6.10 The Factory and St Johns projects are forecasting to be within budget overall and the construction is on track to be completed in December 2022 with Manchester International Festival (MIF) expected to have early access from at least October 2022. The project is currently forecast to spend £42.6m this year compared to a revised budget of £56.5m, a variance of £13.8m, which has increased by £8.0m since quarter 2. As work progresses, contingency that was forecast to be required this year (£3.6m) is now forecast for next year, in line with the reprofiling detailed below. The reason for the further reprofiling is as previously reported due to design delays, delays starting on site and resequencing of works. The main packages affected by these items are External Envelope, MEP, Joinery and panel installation.

6.11 The project has £1.48m left to be awarded within the contract and £150k of packages that will fall outside of the contract. The project is expected to achieve 88% cost certainty by March 22. There are still risks including supply chain uncertainty, the impact of COVID-19 and the impact of inflation.

6.12 During this period, the project has completed the installation of precast façade panels, aside from those intended to be left out for access. The Theatre 1st phase truck lift fit-out activities and the Theatre stair 6 secondary steel wall build up are also complete. The multiwall installation (moveable partitions to the warehouse) has started on site, which once complete will be the largest in the world. Internal fit-out is progressing across areas of the building. Lifts have been handed over for beneficial use where possible. The facades work package contractor has started on site and is working across several active workfaces, following some substructure works to the towers. Blockwork is progressing well to a number of areas including Opera XL and L2 foyer to theatre.

6.13 There are still on-going design issues concerning fire strategy, along with the fire protection scope. Both are under review. The timber lining to the theatre is being considered with the supply chain. The recommendation for the procurement of the retractable seating units has been accepted and is within budget. Procurement of the fixed seating is still to be resolved, with the under-croft soffits pricing and detail to be agreed.

Housing Infrastructure Fund (Victoria North)

6.14 The total budget for the Housing Infrastructure fund is £51.0m, and the project is due to complete in 2024. For 2021/22 the forecast spend is £4.0m compared to a budget of £12.5m, a variance of £8.5m. This is an increased variance of £8.5m since quarter 2. There have been delays with Ground Inspections and there are still a variety of engineering options to be established. The programme was extended due to Network Rail having to undertake urgent work in the river channel. There have also been unforeseen issues with access, which has required reapproval of Risk Assessment and Method Statements (RAMs) from Network Rail and the Environment Agency for boreholes.

6.15 Site investigation for the river works is nearing completion. A planning application has been approved for enabling works that will assist in bringing forward works to deliver the main infrastructure proposals on the site. Permission was granted just before Christmas, with enabling works set to start in early February. Work was also completed just before Christmas on the RIBA Stage 3 design package. The design documentation is currently under review with the Council's technical team. Work on the RIBA Stage 4 design package will commence in late January. Public consultation is ongoing, of which, the most recent phase ended on the 7th January with predominantly positive feedback and support.

6.16 Hydrological modelling is being updated to inform the design development that will be undertaken over the coming months. Engagement will continue with the Environment Agency concerning the design development for both flood mitigation works and the wider infrastructure scheme.

Carbon Reduction Programme including PSDS

6.17 The total budget for the existing Carbon Reduction Programme has been revised from £22.7m to £20.6m and is due to complete by 2025. In 2021/22 Phase 1 of the programme the forecast spend is £2.7m compared to a budget of £3.0m, a variance of £0.3m. Additional projects are being identified and developed to utilise this forecast underspend. Similarly, the total budget for the Public Sector Decarbonisation Scheme (PSDS) has been revised from £19.7m to £17.6m the difference being a £2.1m virement to the National Cycling Centre Project. The project is forecast to budget.

6.18 All works to the Carbon Reduction Programme phase 1 are expected to complete within the financial year, saving 1,400 tonnes of CO_2 annually. Remaining works include the installation of LED lighting at the Sharp Project, which is currently being manufactured ready for installation around February to March 22. Installation of Solar PV (Photovoltaic) at Space Studios has been completed and the panels will be energised in March 22. Other work expected includes energising the installed Solar PV at the Tennis & Football Centre and completing the installation of the LED lighting once access can be agreed with the vaccination centre.

6.19 Works at the National Cycling Centre and Hammerstone Road, part funded by the European Regional Development Fund (ERDF), will be delivered in stages and are expected to start in quarter 1 of 2022/23, in line with other works at those sites.

6.20 Following confirmation of c.£19.7m PSDS grant funding, a scheme of works largely focused on decarbonisation of heat has been finalised. Detailed designs, planning approvals, grid offers, and contracts have been put into place for all buildings in scope for PSDS funding works. The deadline for spending the grant has now been extended to March 2022, which remains a risk, but allows for planned works at Manchester Aquatics Centre and the National Cycling Centre to be undertaken within the wider refurbishment schemes. Each project within the programme will be managed with a separate governance and risk management structure and tight monitoring of the programme and its delivery will ensure immediate action can be taken to resolve any issues in a timely manner.

This City Housing Delivery

6.21 The total budget for This City Housing Delivery is £33.7m and the project is scheduled to complete in 2023/24. For 2021/22, the project is forecast to budget at £0.7m.

6.22 This project will build a mixed development of market and accessible rent properties, initially through the Council before transferring to a Council-owned company during the build.

6.23 The first phase of proposed development is the first development to be built by This City. This City is Manchester City Council's newly created housing vehicle which aims to utilise Council-owned land to demonstrate that a high-quality housing product, meeting zero carbon aspirations and providing accessible homes set at Local Housing Allowance (LHA) rates is achievable.

6.24 The scheme will:

- Promote equity and fairness - the first phase is expected to provide homes at accessible rents for Manchester residents
- Reduce carbon emissions – the scheme is targeting Association of Environmentally Conscious Buildings accreditation, which meet or exceed the MCC and RIBA targets for 2030 developments.

6.25 The contractor has been appointed and they are in the process of undertaking a RIBA stage 2 review prior to commencement of RIBA stage 3. A launch of This City is to take place in February, with a planning submission targeted for June 2022.

Co-op Academy Belle Vue

6.26 The total budget for the Co-op Academy Belle Vue project is £31.5m and the project is expected to complete in October 2022. For 2021/22, the project is forecast to spend £9.2m compared to a revised budget of £21.6m, a variance of £12.3m, which has increased by £1.4m since quarter 2. Significant effort has been taken to agree the contract with the contractor as soon as possible, which meant that more detailed cost information only became available once the contract was signed in July, with start on site in August. Until the contract cost profile was agreed the forecasts could only be estimates, and with the programme now fixed the periods of higher spend will be in the next financial year. The handover date is also later than originally anticipated. During the last quarter the works on the substructure packages have progressed substantially, but not yet completed, and works have also done well onsite, this means that direct and consequential cost risks that were linked to ground conditions have now passed and can be released into the general project contingency.

6.27 Groundworks and Japanese knotweed removal have been completed. Construction of the superstructure and steel work is also complete. The expected handover date is October 2022, and discussions with the Co-op are ongoing as to the move-in date. The school opened as planned in September 2021 in temporary accommodation on the site of Connell College also part of Co-op Academy Trust and pupils will remain on this site until the new building is completed.

6.28 In the next quarter, work around the floor decking and concrete slab will commence and work on drainage will continue.

6.29 Key risks around the project remain the volatility of the UK construction market with shortages of materials and labour leading to significant price uncertainty. Where possible fixed price arrangements have been entered into or suitable risk allowances included within the contract sum.

Manchester Aquatics Centre

6.30 The total budget for the Manchester Aquatics Centre refurbishment is £30.5m and the project is scheduled to complete in Summer 2024. For 2021/22, the project is forecast to spend £5.2m compared to a budget of £7.5m, a variance of £2.3m, which has increased by £0.5m since quarter 2. This is due to delays associated with the reviewing the business case and design for enhancements requested by the operator. The initial design was progressed based on these being included and therefore the project team has needed to investigate other opportunities to enhance the entrance which has led to the overall delay to the programme, including the start on site date, which was originally expected to in November 2021 and has moved to December 2021. During quarter 3, there has been a requirement to move £0.5m into future years due to the cost submission being later than previously forecast. However, officers are currently looking at potential advance work orders which may mitigate this, and discussions are currently taking place internally.

6.31 Early works orders have been issued to the main contractor to commence phase 1 and the contractor is now on site. Asbestos surveys have been completed and the Dive Pool and Main Pool have been drained. Works have been undertaken so that a reduced public swim programme can return in the training pool from January 2022.

Collyhurst

6.32 The current budget for the first phase of the Collyhurst Programme is £29.5m and is due to be spent by March 2024. In 2021/22 the programme is forecasting to spend £0.4m compared to a budget of £2.0m, a variance of £1.6m. The budget requires reprofiling as a result of continued Development and Funding Agreement (DFA) negotiations with the Far Eastern Consortium (FEC) and ongoing Pre-Construction Services Agreement (PCSA) stage. This will delay contract finalisation and start on site. Further reprofiling is required due to FEC & the preferred contractor waiting for responses from sub-contractors regarding work package tenders, which will help to deliver the scheme. A response is anticipated at the end of January/early February 2022. This will mean a start on site is most likely to be in the new financial year. Because of this, £3.8m is also being reprofiled from 2022/23 through to 2024/25.

6.33 During the last quarter, negotiations continued with FEC in relation to the DFA and an associated suite of documents. FEC have been continuing to work through PCSA stage with the preferred contractor. Work with Cost consultants and design team is now complete, and the Shared Ownership and Affordable Homes Programme (SOAHP) bid has been submitted to Homes England, with a response expected late January 2022. FEC have been continuing enabling works on site with regards to trees, earthworks and remediation.

6.34 In the next quarter, the DFA with FEC will progress. Work will continue with FEC to progress through PCSA process with the selected contractor and agree scheme cost. There will be a continuation of work with design team prior to submission of SOAHP bid. There will be ongoing liaison with affected residents and a drafting of Compulsory Purchase order (CPO) Statement of Reasons will be carried out.

6.35 Risks remain around the volatility of the housing market, potentially affecting sales prices and prolonging construction periods, which may slow delivery of the scheme. The market will be continually monitored, and colleagues will ensure that the development keeps pace with demand and is suitably phased.

Hammerstone Road Depot

6.36 The total budget for the Hammerstone Road project is £25.0m and the project is due to complete in 2023. For 2021/22, the project is forecast to spend £3.8m compared to a revised budget of £11.4m, a variance of £7.6m which has increased by £3.7m since quarter 2.

6.37 There has been a requirement to move this £3.7m into future financial years. In part, this is due to the delayed submission of final costs by the main contractor, with additional design works required following stakeholder review, along with increased difficulty in finalising priced responses from the market.

6.38 The contract commencement date has been pushed back to allow further investigative works to the brickwork and steel frame within the loco shed, drainage and boundary wall to reduce risk within the main contract and respond to comments from planners. However, the delay to the contract commencement date will be mitigated in the main contract works programme for these elements, because of the benefits that will arise from these exploratory works being undertaken pre-contract.

6.39 During the previous quarter, pre-contract enabling works, with mechanical and electrical preparatory works to include new substation works and enclosure and temporary electrics for Biffa. Additional drainage surveys and asbestos strip-out and monitoring have been carried out. An update to the RIBA 4 cost plan was received, demonstrating a £6.6m increase on the previous cost plan submission reflecting market pressures and design development resulting from further investigative works and surveys.

6.40 In the next quarter, analysis and review of the cost plan will continue through January, with a third of sub-contractor packages submitted to date and value engineering exercises ongoing between all parties. Further demolition and strip-out works are continuing through this period, along with site investigation and cathodic protection surveys to aid decision-making during the value engineering process.

6.41 Key risks on the project are budget pressures, arising from the current market conditions and the inherent structural and ground contamination risks remaining on a building of this nature and historic use and maintaining the depot as a working site during construction.

National Cycling Centre

6.42 The total budget for National Cycling Centre (NCC) is £24.6m and it is expected to complete in 2022. For 2021/22 the project is forecast to budget at £6.0m.

6.43 Both the Great British Cycling Team (GBCT) and Greenwich Leisure Limited (GLL) have now vacated the site. The track closed in January 2022 and reopens in late August 2022. RIBA Stage 4 design is progressing. Works to relocate the café are progressing but may be subject to a feasibility study being prepared for the redevelopment of the indoor BMX facility. The main contract has now been signed.

6.44 In the next quarter, stripping out of the steel frame to the plant room and mechanical and engineering first fix will continue. With £2.1m secured from the PSDS grant for solar panels these must be installed by March 2022 and commissioned as soon as possible afterwards.

7 Other material changes to the programme

7.1 Other material changes to the Capital Programme are detailed below:

Project	Current Budget 2021/22	*Forecast at Q1*	*Forecast at Q2*	Forecast at Q3	In Year Variance	Spend to date 2021/22	Total Budget (All Years)	Total Variance (All Years)
Integrated Working – Gorton Health Hub	14.7	*10.6*	*10.2*	9.3	(5.4)	4.1	22.8	0.0
Emergency Active Travel Fund (EATF)	5.5	*1.8*	*0.7*	0.5	(5.0))	0.3	5.7	0.0
Campfield Redevelopment	4.4	*3.7*	*3.7*	0.0	(4.4)	0.0	4.4	0.0
North Manchester New Builds 3	3.4	*3.4*	*1.5*	1.2	(2.3)	0.3	12.8	0.0
Indoor Leisure – Abraham Moss	8.8	*8.8*	*6.5*	6.5	(2.3)	3.6	24.7	0.0
House of Sport	5.5	*5.5*	*5.5*	3.3	(2.2)	0.3	8.4	0.0
Northern Quarter Cycling Scheme	5.1	*5.1*	*2.7*	2.9	(2.2)	1.6	10.7	0.0
Manchester Digital Security Innovation Hub (Cyberhub)	2.0	*2.0*	*0.0*	0.0	(2.0)	0.0	2.0	0.0
Patching Defect Repairs	6.6	*7.5*	*5.1*	4.6	(1.9)	2.6	12.9	0.0

Integrated Work – Gorton Health Hub

7.2 Within the Corporate Services portfolio, the Gorton Health Hub programme aims to improve access to primary care for local residents, shift care from higher cost hospital settings, increase local employment and release land for new affordable housing. The scheme was put on hold to allow the scope to be revised and options appraisals reviewed. Following agreement of the chosen option a full cost plan and contractor mobilisation is now underway. Heads of Terms (HoTs) are currently being drafted and will be issued in the coming weeks. This has resulted in a variance to the in-year budget of £5.4m which is an increase of £0.9m since quarter 2.

Emergency Active Travel Fund Development Works

7.3 The Emergency Active Travel Fund (ATF) within the Highways portfolio currently includes works to the City Centre (Triangle) and the Wythenshawe Active Travel Fund scheme, which were first and second ranked as part of Transport for Greater Manchester's (TfGM) project prioritisation exercise. Both will seek to introduce permanent infrastructure to increase sustainable travel by encouraging more residents to walk and cycle.

7.4 There is an in-year variance of £5.0m, which is an increase of £0.2m since quarter 2. This is due to the agreement of the governance and approval process with external funders taking longer than anticipated, further modelling being required to support the benefits to be realised, and to allow for the alignment of the work programmes with other complimentary schemes that connect or facilitate the ATF projects. Works are ongoing to establish design and programme for commencement in January 2022 and completion in May 2022.

Campfield Redevelopment

7.5 Within the Growth & Development portfolio, the Campfield Redevelopment project aims to acquire the freehold interest in Castlefield House as part of an agreement with Allied London and the Science and Industry Museum. The museum will decant from Lower Campfield and Allied London will bring all three sites into repair and refurbish to provide co-working office accommodation and ancillary facilities. The larger project will restore and safeguard two Grade II listed historical market building assets for future public use together with the environmentally sustainable refurbishment of a poor quality 1970's commercial building. Highly adaptable workspace for the media, tech, digital and creative sectors will be provided.

7.6 A broad agreement has been reached on HoTs and an inception meeting has been held with Central Government for Levelling Up Funding. The procurement route is to be agreed and Legal agreements with 3rd parties are to be completed. Some legal fees may be incurred in this financial year with the remainder expected to be charged in 2022/23.

North Manchester New Builds 3

7.7 Within the Housing portfolio, the North Manchester New Build 3 (Silk Street) project requires £2.3m to be re-profiled. This is due to delays to starting onsite because of contract due diligence negotiations, obtaining the correct warranties, and a review of design and social value commitments. The project is still on track to deliver in line with the budget.

Indoor Leisure – Abraham Moss

7.8 Within the Neighborhoods portfolio, the Abraham Moss project requires £2.3m to be re-profiled into 2022/23. There has been a programme delay to Abraham Moss Leisure Centre due to the discovery of pile foundations within the footprint of the site. This will impact on the design and methodology for laying the concrete slab. Further surveys have been commissioned to identify if the proposed foundation solution is still appropriate. Costs for additional works and the delay associated with ground conditions are being reviewed and challenged, however, the costs can be met from the existing risk and contingency budget.

7.9 Pile removal works are complete, and works have commenced on underground drainage and casting of ground floor slabs.

House of Sport

7.10 Also, within the Growth and Development portfolio the House of Sport project aims to refurbish an area of the existing National Squash Centre to provide office and meeting facilities for existing occupiers as well as enabling the Council to attract new organisations to Manchester. In addition, the reception and café areas of the centre, accessible to all users of the complex, will be refurbished.

7.11 There has been a delay in the building contract being signed with the contractor and the project now requires £2.3m re-profiling into 2022/23. The delay was required to allow design changes for lighting in the office and entrance areas, which required redesign and recalculation of lighting levels. The kitchen layout also required an amendment. Additionally, a roof defect has been identified on site, for which specialist proposals, budget costs and funding plans are to be agreed.

Northern Quarter Cycling Scheme

7.12 Also, within the Highways portfolio, the Northern Quarter Cycling Scheme (formerly The Regional Centre Cycleway) was identified by TfGM as an important route around the City Centre for both cyclists and general traffic. The route will create an east-west cycle route to Piccadilly Station via the Northern Quarter to Victoria Station. There is a forecast variance to the in-year budget of £2.2m.

7.13 The variance is due to a review of achievability of programme for the Northern Quarter Area 2 works, with some construction works being reprogrammed into the next financial year, and a movement in programme in Northern Quarter Area 3 where works are now expected to start in early 2022, moved from October 2021 to avoid working during the busy Christmas period.

7.14 Within Northern Quarter Area 2, although the project is progressing through the design phase, there is a need for continuing discussion with all stakeholders. Additional time is also required to resolve consultation issues with bus operators.

7.15 Within Northern Quarter Area 3, various assessments, reviews and approvals have been carried out and commencement on site will be in early 2022. There has also been a change in design, moving from the use of auto-bollards to static bollards, meaning the third party, risk and contingency costs have been moved into the next financial year.

Manchester Digital Security Innovation Hub (Cyberhub)

7.16 The Digital Security Innovation Hub, within the Growth & Development portfolio will be located on the second floor of Heron House. This project will include the Category B refurbishment of 10,909 sq. ft of space on the second floor of Heron House, Albert Square. Legal negotiations are continuing, but it is unlikely that the lease will be concluded this financial year, which has resulted in a variance to the in-year budget of £2.0m.

Patching Defect Repairs

7.17 The Patching Defect Repairs project, within the Highways portfolio, aims to maintain the carriageway & footway network by repairing actionable defects identified during safety inspections. There is a requirement to move £1.9m into the next financial year due to resource and contractor availability. The current contract ended on the 30th of November 2021. Temporary arrangements are in place to deliver works. The current forecast considers the proposed alternate contractors and their availability and supply chain.

8 General Programme Risks

8.1 The Capital Budget is prepared on the best estimate of the start date and spend profile for each scheme 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.

8.2 There are significant inflationary pressures in the construction market. The latest statistics from the Department for Business, Energy and Industrial Strategy (BEIS) reflect a 22.7% annual change up to the end of November in the construction material price index for the UK. Such indices aggregate price movements across a wide range of construction materials, but the BEIS data shows, for example that the price of fabricated structural steel has increased by 66.1% over the last year and particle board by 56.6%.

8.3 This is clearly a considerable risk to the programme, particularly where contracts are not yet agreed. There are options available to the Council, such as entering fixed price agreements or elevating risk costs, but the inflationary risk is likely to be priced in in a prudent basis. There is also an inflation contingency budget of £17.3m for the whole programme which can be accessed if inflationary pressures will be greater than the contingency budgets built into existing cost plans. Officers will continue to monitor the construction market and seek to mitigate the price risks.

8.4 As noted above, some of the funding sources for the programme are time-limited, such as the Public Sector Decarbonisation Scheme. Officers will continue to monitor progress against these schemes to seek to maximise the level of grant funding used.

9 Capital Resources

9.1 The table below summarises the current funding assumptions for the Capital Programme based on the current forecast. This will continue to be reviewed for the remainder of the financial year to ensure that the optimum value for money is achieved.

	Draft Funding 2021/22 £m	Draft Funding 2022/23 £m	Draft Funding 2023/24 £m	Draft Funding 2024/25 £m	Draft Funding All Years £m
Grants	86.0	79.5	63.5	0.0	229.0
Contributions	25.3	31.2	0.2	0.0	56.7
Capital Receipts	16.0	13.1	13.1	2.7	44.9
Revenue Contributions to Capital	25.6	43.1	30.7	14.6	114.0
Capital Fund	6.0	2.0	1.4	0.5	9.9
Borrowing	169.3	325.2	142.0	48.1	684.6
Total	**328.2**	**494.1**	**250.9**	**65.9**	**1,139.1**

9.2 Modelling the Council's future cash flow based on the funding assumptions above and the forecast revenue use of reserves and anticipated changes to working capital provides an assessment of the ongoing affordability of the forecast capital programme.

9.3 Total resources to be used over the forecast period have increased by £47.1m since the report at the end of Q2, in line with the budget approvals given during the same period and the variances noted above. This includes an increase in borrowing of £26.3m.

9.4 The current modelling forecasts that the programme remains affordable within the revenue budget available including reserves. The model is based on a significant number of assumptions, including the timing of any future borrowing and forecast future interest rates. As these assumptions change, the outcome of the capital financing model including use of capital financing reserves can also change.

9.5 The current forecast for the Council's prudential indicators, compared to those reported to members in Executive in the budget reports, based on the current forecast capital expenditure and funding is shown at appendix B.

10 Social Value

10.1 Every capital project is required to consider the social value which could be realised, either through procurement or other routes, through the creation of the asset. This is one of the key requirements of any capital business case brought forward.

10.2 By capturing the expected social value benefits, this allows projects to monitor their social value output on an ongoing basis. In some cases, such as where social value is monitored with groups like the North West Construction Hub, this is done on an aggregate basis rather than project by project.

10.3 During the last quarter, as part of the Old Town Hall project, work has begun to recruit 12 new apprentices with the aim to employ out of work Manchester residents into the positions. Work has begun for the 2022 PlanBEE programme. Interested employers will have the opportunity to meet PlanBEE in February in order to have their questions about the scheme answered. To date five OTH employers have expressed an interest in taking part in the Level 4 apprenticeship scheme. A number of employers from OTH attended a careers fair at Manchester Islamic High School for Girls, where the students were able to get an understanding of careers pathways and employment opportunities available to them in the industry. Lendlease and MCC are working alongside support group Refugees and Mentors to deliver a ‘meet the employer’ event at the Artisan Studio. NG Bailey have been continuing to support 422 Community Centre in Longsight, by offering their volunteer time as labour with a view to helping renovate the premises over a number of volunteer sessions.

10.4 During the last quarter, as part of the Medieval Quarter project, furniture and equipment bought for a site office was donated to Manchester Cathedral’s in-house charity ‘Volition’, who help unemployed people reach their goal of securing a job through training and upskilling. They will be using the equipment to set up a new office and training facility for a programme that will commence during 2022, which will help 200 people get into employment.

10.5 The projects within the Highways Service have included donations totalling £40k. They have been used for the installation of a memorial bench in Beswick, to help in the restoration of Brunswick and the Territorial Army (Whalley Range) car parks, to set up Clean Air activities at schools in Old Moat, and to contribute to tower lights to St. Brendan’s, a local football club. The donation of repeater signs, along with their installation has been carried out on Store Street. Additionally, 28 hours of staff volunteering for the ‘Crabbie Awareness’ Don’t Walk Past initiative and the North West Toy Appeal.

11 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.

12 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.

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Appendix A – Changes to Capital Budget since outturn

Dept	Scheme	Funding	2021/22	2022/23	2023/24	Total
			£'000	£'000	£'000	£'000
Children's services	Varley Street Site Investigations	Capital Fund	65			65
Children's Services	City Centre School	External Contribution		2,450	250	2,700
Children's Services	City Centre School	Government Grant	250	3,250		3,500
Children's services	The Barlow RC High School - Resource Provision	Government Grant	400	649		1,049
Children's Services	Education Basic Need Unallocated	Government Grant		- 7,459		- 7,459
Children's Services	Piper Hill Expansion SEN Grant	Government Grant	87			87
Children's Services	Grange School Expansion SEN Grant	Government Grant	20			20
Children's Services	Melland High School Expansion (SEN Grant)	Government Grant	1,000	2,900		3,900
Children's services	Special Educational Needs Grant Virements	Government Grant	- 488	- 619		- 1,107
Children's services	Contractor Payments - Crab Lane School	Government Grant	10			10
Children's services	Manchester Creative Media Arts Academy Completion Works	Borrowing	661			661
Corporate Services	Inflation	Borrowing	- 24			- 24
Growth and Development	Lees Street Payment	Capital Receipts	75			75
Growth and Development	Space Phase 3	Capital Fund	50			50
Growth and Development	Estate Changes arising from Future Ways of Working	RCCO	226			226
Growth and Development	Angel Meadow Land Acquisition	Capital Receipts	150			150
Growth and Development	Manchester Equipment and Adaptations Partnership (MEAP) Relocation	Capital receipts	1,155	870		2,025

Dept	Scheme	Funding	2021/22	2022/23	2023/24	Total
			£'000	£'000	£'000	£'000
Growth and Development	Lincoln Square	Borrowing	40			40
Growth and Development	Sustaining Key Initiatives	Borrowing		- 40		- 40
Growth and Development	Early Years tendered daycare sites	Capital Receipts	600	2,400		3,000
Growth and Development	Asset Management Programme (AMP)	Capital receipts	- 1,155	- 870		- 2,025
Growth and Development	Public Sector Decarbonisation Scheme	Government Grant	- 2,145			- 2,145
Growth and Development	Site Acquisition - The Yard, Vaughan Street	Capital Fund	679			679
Growth and Development	Strategic Acquisitions Programme	Capital Fund	- 679			- 679
Growth and Development	New Islington Marina Bridge Works	Borrowing	180			180
Growth and Development	Campfield Redevelopment	Government Grant	694	9,930	6,889	17,513
Growth and Development	Home Arches	Government Grant	391	1,918		2,309
Growth and Development	Didsbury Technology Park - MCC Option	Capital Receipts	861			861
Highways Services	Patching defect repairs Programme 2021/22	Government Grant	3,744			3,744
Highways Services	Patching defect repairs Programme 2021/22	Borrowing	117	883		1,000
Highways Services	Highways Project Delivery Fund	Borrowing	- 1,617	- 883		- 2,500
Highways Services	Patching defect repairs Programme 2021/22	RCCO	500			500

Dept	Scheme	Funding	2021/22	2022/23	2023/24	Total
			£'000	£'000	£’000	£’000
Highways Services	Harpurhey & Moston – Junction and Crossings	External Contribution	1,170			1,170
Highways Services	Restoration of Ordinary Water Courses	Government Grant	300			300
Highways Services	Great Ancoats Street Tree Maintenance	Borrowing reduction, funding switch via Capital Fund	- 40			- 40
Highways Services	Back George Street Capital Funding	External Contribution	23			23
Highways Services	GMIP (Greater Manchester Investment Programme) Development Costs - Tranche 1	Government Grant	200			200
Highways Services	Manchester Cycleway Construction Costs	External Contribution	375	3,341		3,716
Highways Services	A6 Stockport Road Pinch Point Scheme	Borrowing	155			155
Highways Services	Great Ancoats Improvement Scheme	Borrowing	- 155			- 155
Highways Services	Traffic Free Deansgate Permanent Works	Borrowing	1,500			1,500
Highways Services	Street Lighting works for TfGM Clean Air Zone	External Contribution	179			179
Highways Services	Manchester Cycleway	External Contribution	141			141
Highways Services	Woodlands Rd Emergency Works	Borrowing	2,699			2,699
Highways Services	Bridges and Structures Maintenance	Borrowing		- 1,095	- 1,604	- 2,699
Highways Services	Levenshulme and Burnage Active Neighbourhood	External Contribution		3,586		3,586
ICT	Resident and Business Digital Experience	Borrowing		- 3,931	- 1,297	- 5,228
ICT	Future Council Discovery (Infrastructure & Application Hosting)	Borrowing reduction, funding switch via Capital Fund		- 390		- 390

Dept	Scheme	Funding	2021/22	2022/23	2023/24	Total
			£'000	£'000	£'000	£'000
ICT	Highways Maintenance & StreetWorks Asset Management Software	Borrowing reduction, funding switch via Capital Fund		- 431		- 431
ICT	Ransomware	Borrowing reduction, funding switch via Capital Fund		- 383		- 383
ICT	EYEs Phase 2	Borrowing reduction, funding switch via Capital Fund		- 876	- 476	- 1,352
ICT	VEPS RPA	Borrowing reduction, funding switch via Capital Fund		- 47		- 47
ICT	Platform Compliance	Borrowing	112			112
ICT	Security Software Upgrade	Borrowing		650		650
ICT	ICT Investment Budget	Borrowing		- 762		- 762
Neighbourhoods	Library Refresh	Borrowing	350	150		500
Neighbourhoods	Manchester Regional Arena - Refurbishment of Changing Rooms	Waterfall	83			83
Neighbourhoods	P2R Platt Fields	External Contribution	72			72
Neighbourhoods	National Cycling Centre	Borrowing	5,132	16,382	42	21,556
Neighbourhoods	National Cycling Centre	Capital Fund	900			900
Neighbourhoods	National Cycling Centre	Government Grant		2,145		2,145
Neighbourhoods	Withington Baths	Borrowing	1,000			1,000
Neighbourhoods	Hough End Master Plan Additional Funding	Waterfall	101			101
Neighbourhoods	Wythenshawe Track Changing Rooms	Borrowing	105			105
Neighbourhoods	Parks Development Programme	Borrowing	- 556			- 556
Neighbourhoods	Wythenshawe Cycling Hub	Borrowing	451			451

Dept	Scheme	Funding	2021/22	2022/23	2023/24	Total
			£'000	£'000	£'000	£'000
Neighbourhoods	Blackley Crematorium Cremator Replacement Additional Funding	Borrowing		203		203
Neighbourhoods	Beswick Hub RFL Project	Waterfall	2,577			2,577
Private Sector Housing	Disabled Facilities Grant	Government Grant		6,289		6,289
Private Sector Housing	This City Housing Delivery Vehicle	Borrowing	347			347
Private Sector Housing	Rough Sleepers Accommodation Programme (RSAP)	Government Grant	675	675		1,350
Private Sector Housing	Rough Sleepers Accommodation Programme (RSAP)	Capital Receipts	825	825		1,650
Private Sector Housing	This City Housing Delivery Vehicle	Borrowing		10,000	23,000	33,000
Public Sector Housing	Riverdale Maisonettes	RCCO - HRA Reserves	486	2,227	143	2,856
Public Sector Housing	Newton Heath High Rise Blocks Improvements	RCCO - HRA Reserves	492	9,128	4,493	14,113
Public Sector Housing	Northwards Internal Virements	RCCO - HRA Reserves	2,512	- 4,467	1,955	-
						-
Total Budget Adjustment Approvals			**28,058**	**58,598**	**33,395**	**120,051**

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Appendix B – Prudential Indicators

No	Prudential Indicator		Target		As at end Dec 21	Target Breached Y/N
			£m		£m	
1	Estimated Financing Costs to Net Revenue Stream		6.2%		6.2%	N
2	Forecast Capital Expenditure	Non – HRA	439.4		304.3	N
		HRA	40.2		23.8	N
		Total	479.6		328.1	N
3	Forecast Capital Financing Requirement	Non – HRA	1,626.3		1,485.2	N
		HRA	300.0		300.0	N
		Total	1,926.3		1,785.2	N
4	Authorised Limits for External Debt	Borrowing	1,711.6		827.3	N
		Other Long-Term Liabilities	190.0		156.4	N
		Total	1,901.6		983.7	N
5	Operational Boundaries for External Debt	Borrowing	1,350.3		827.3	N
		Other Long-Term Liabilities	190.0		156.4	N
		Total	1,540.3		983.7	N
6	Upper Limits for Principal Sums Invested for over 364 days.		0		0	N
			Upper	*Lower*		
7	Maturity Structure of Borrowing	under 12 months	80%	0%	15.3%	N
		12 months and within 24 months	80%	0%	9.0%	N
		24 months and within 5 years	70%	0%	17.5%	N
		5 years and within 10 years	70%	0%	0.0%	N
		10 years and above	90%	20%	58.2%	N

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Manchester City Council
Report for Resolution

Report to: Executive – 16 February 2022

Subject: Revenue Budget 2022/23

Report of: Deputy Chief Executive and City Treasurer

Summary

This report sets out the budget proposals for 2022/23 based on the outcome of the Final Local Government Finance Settlement, released 7 February 2022. For Manchester there was minimal change from the Provisional Local Government Finance Settlement. The report also covers the issues which need to be considered prior to the Council finalising the budget and setting the Council Tax for 2022/23. This report should be read in conjunction with the suite of reports from Strategic Directors relating to budget proposals for their services, the Housing Revenue Account budget report, the Medium-Term Financial Strategy 2022/23 to 2024/25, the Capital Strategy and Budget 2022/23-2024/25 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 7 February together with any further announcements at that date;

(ii) Note the anticipated financial position for the Council for the period of 2022/23 which is based on all proposals being agreed (para 3.1, Table Five);

(iii) Note the resources available are utilised to support the financial position to best effect, including use of reserves and prior years dividends; consideration of the updated Council Tax and Business Rates position; the financing of capital investment, and the availability and application of grants (para 4.2 to 4.29);

(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 2022/23

(v) Note that the Capital Strategy and Budget 2022/23 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 Medium-Term Financial Strategy report elsewhere on this Agenda

(vii) Make specific recommendations to Council to approve in the budget for 2022/23:

  a. an increase in the basic amount of Council Tax (i.e., the Council's element of Council Tax) by 1.99% and Adult Social Care precept increase of 1% (para 4.20);

b. the contingency sum of £1.060m (para 4.34);
c. corporate budget requirements to cover levies/charges of £67.853m, capital financing costs of £39.507m, additional allowances and other pension costs of £7.316m and insurance costs of £2.004m (para 4.30 - 4.33 and 4.35 - 4.39);
d. the inflationary pressures and budgets to be allocated in the sum of £23.661m; and delegate the final allocations to the Deputy Chief Executive and City Treasurer in consultation with the Executive Member for Finance and Human Resources (para 4.40 – 4.42);
e. the estimated utilisation of £9.183m in 2022/23 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 within the District (para 5.11); and
f. the planned use of, and movement in, reserves as identified in Section 5 of the report and in Appendix 4 subject to the final call on reserves after any changes are required to account for final levies etc.

(viii) Approve the gross and net Directorate cash limits as set out in paragraphs 4.43 to 4.53 and Appendix 1 (savings and Efficiency proposals);
(ix) Approve the in-principal contribution to the Adults aligned budget subject to the extension of the S75 Agreement which will be considered by Executive in March 2022 para 4.46);
(x) 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 (Appendix 3);
(xi) 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. In addition, reference must be made to the recently announced £150 rebate scheme on the 2022/23 Council Tax demand notice, and in the accompanying council tax leaflet, in line with Government regulation (para 4.18 - 4.24);
(xii) Recommend that Council approve and adopt the budget for 2022/23.

Wards Affected: None directly

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

Manchester Strategy outcomes	**Summary of the contribution to the strategy**

A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	This report considers the medium-term financial plan for 2022/23 onwards 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, 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

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 2022/23, 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 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 2022/23.

The latest financial position for the current financial year, 2021/22, is set out within the Global Revenue Budget Monitoring report elsewhere on the Agenda.

Financial Consequences – Capital

None directly arising from this report.

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

Executive – 17 February 2021 Subject: Revenue Budget 2021/22
Executive – 17 November 2021 Subject: Spending Review and budget update
Resources and Governance 11 January 2022 Budget assumptions focussing on inflation and demand growth
Executive – 17 January 2022 Provisional local government finance settlement 2022/23 and budget assumptions

Structure
The structure of the report is as follows:

Section 1	Introduction and background
Section 2	Financial Context
Section 3	Summary Position
Section 3	Underpinning Financial Assumptions
Section 4	Financial Reserves
Section 7	Consultation
Section 8	Conclusion
Appendix 1:	Savings and Efficiency Proposals 2021/22
Appendix 2:	Sales, Fees and Charges Income
Appendix 3:	Legal Background to Setting the Revenue Budget and Council Tax
Appendix 4:	Reserves Schedule

1. Introduction and background

1.1. The Final Local Government Finance Settlement 2022/23 was released on 7 February 2022, there was a small improvement of £26k from the provisional settlement received 17 December 2021. In line with the one-year finance settlement this report sets out a balanced one-year budget for 2022/23 along with the estimated position for 2023/24 and 2024/25. 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 (MTFS) elsewhere on this meeting agenda. The MTFS sets out the risks and uncertainties faced and the approach to ensuring financial resilience.

1.2. The financial considerations contained within this report are based on the Final Local Government Finance Settlement 2022/23 and announcements on grant allocations. It also contains the outcome of the key decisions on council tax and business rates surpluses and bases that have been made under delegated powers by the Deputy Chief Executive and City Treasurer in consultation with the Leader. Due to the timing of the Final Settlement and other government announcements there are small differences from the position reported in the directorate reports elsewhere on the agenda relating to the announcement of Public Health Grant (£1.510m) and a small increase in the Lower Tier Services Grant following the final settlement (£26k).

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

1.4. The strategic framework remains the Our Manchester Strategy, the Corporate Plan and the Locality Plan. The Single Council Business Plan 2022/23 describes in more detail the action being taken to deliver the Corporate Plan. The budget proposals for 2022/23 will continue to reflect the priorities set out in the Corporate Plan.

1.5. 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 and to invest in Council priorities. It brings together the priorities agreed with residents, any recent funding announcements, and the Council's statutory duties.

2. Financial Context

2.1. Prior to COVID-19 the Council had established a Medium-Term Financial Plan and Balance Sheet strategy with capacity to manage financial shocks and provide investment to priority areas where necessary. This included, for example using commercial dividend income at least a year in arrears and smoothing the budget investment in social care over a three year period. However, the depth and breadth of the pandemic could not have been foreseen and the Council, like many other authorities across the country, is facing a significant long-term financial challenge.

2.2. At the time the 2021/22 budget was set there was considerable uncertainty about the position post 2021/22, including potential changes to the business rates regime and funding allocation formula. The underlying budget gap was estimated at c£40m for 2022/23 rising to c£50m by 2024/25, as a result of income shortfalls and cost pressures, including inflationary increases and demography.

2.3. Considerable work has taken place throughout 2021/22 to review the assumptions in the 2022/23 budget position and the position has improved. This is due to the late announcements of further government support to businesses through business rates, a review of the estimates of ongoing higher levels of demand for services following COVID-19 which has enabled some of the budget to be released and the announcements in the Government Spending Review in October and subsequent Provisional Finance Settlement.

2.4. Whilst the spending review covered a three year period to 2024/25, the Provisional Finance Settlement is for one year only and some of the funding allocated is on a one-off basis with a risk it may reduce in future years. 2022/23 is also using the last of the commercial dividend reserve. A significant budget gap remains from 2023/24 which must be resolved on an ongoing basis to ensure financial sustainability. The plan for achieving this is set out in Medium-Term Financial Strategy report elsewhere on the agenda.

Position reported to Executive 17 January

2.5. A prudent estimate was made of the funding available following the Spending Review and reported to November Scrutiny Committees and Executive on 17 November 2021. At this point a balanced budget was proposed for 2022/23 the Council was facing a budget gap of £57m in 2023/24 rising to £78m in 2024/25. The report identified that "should further funding than that estimated be forthcoming as part of the Finance Settlement it is recommended that this is used over more than one financial year to reduce the requirement for future budget cuts".

2.6. The budget report considered at 17 November Executive set out the funding proposals for unavoidable cost pressures to cover the rising costs of inflation for example, specific service pressures that had been identified and £7.7m of efficiency measures in order to deliver a balanced budget. Of these measures £4,017m relates to new savings proposed, these are listed at Appendix 1 and detailed in the directorate reports. A further £3.716m relates to the following mitigations:

- The Adult Social care budget has been adjusted by £2m for the overestimated impact of the pandemic on care home places. There remains £9.3m to meet the estimated costs of ongoing COVID-19 related demand.
- Homelessness - It is not expected that the planned £1.7m per annum demand increase that was originally budgeted for 2022/23 will be required and this has now been removed from the budget assumptions, although the position will be kept under review. To manage risk in this area a £1.5m homelessness contingency reserve remains as well as the £7m which was added to the initial 2021/22 budget to reflect the additional impact of COVID-19 on demand for

homelessness services, in anticipation of the impact of the removal of the universal credit uplift and the tenant eviction ban ending.

Table One: Savings and mitigations reported to 17 November Executive

	2022 / 23	2023 / 24	2024 / 25
	£'000	£'000	£'000
Savings identified in Corporate Core directorate	1,017	1,017	1,017
1% workforce saving target linked to revised budgeting for staff	2,000	2,000	2,000
Corporate Budget saving from historic pension costs and prepayment of pension contributions	1,000	1,000	1,000
Sub total savings	**4,017**	**4,017**	**4,017**
Mitigations:			
Adults reduction in COVID pressures	2,000	2,000	2,000
Homelessness demand management	1,716	3,765	6,237
Total savings and mitigations	**7,733**	**9,782**	**12,254**

2.7. The Provisional Finance Settlement was at the positive end of expectations and enables a balanced budget to be proposed, without the need to identify further efficiencies beyond the £7.8m presented to November scrutiny committees. However, the funding for local government is ‘front loaded’ with all the funding announced as part of the spending review being received in 2022/23 with no further increases in line with inflation or demographic pressures for the following two years. This puts further pressure on 2023/24 and 2024/25 financial years and significant budget cuts will need to be delivered over the Spending Review period to set a balanced budget.

2.8. The report to 17 January 2022 Executive set out that the funding announced for 2022/23 makes available £12m to fund additional pressures, emerging risks and new priorities, and that, in line with the previously agreed approach, this is used across a three-year period.

2.9. The report also noted that the final budget position for 2022/23 and beyond would be updated to take account of the key decisions confirming the Collection Fund position and Council Tax and Business Rates base have been made and information on the waste and transport levies received from GMCA.

2.10. The final Finance Settlement was released 7 February 2022, for Manchester there was a small improvement of £26k from the provisional settlement to the final. The table below reflects the impact of the final Finance Settlement and the proposed use of additional funds, as set out in the 17 January 2022 report to Executive. The paragraphs which follow set out the proposed application of the investment funding made available through the settlement followed by an overview of other changes since the January Executive.

Table Two: Impact of settlement announcements on budget gap

	2022/23 £,000	2023/24 £,000	2024/25 £,000
Forecast Shortfall / (surplus) reported to Executive 17 November 21	**(60)**	**57,139**	**78,204**
Net Changes following settlement	(479)	(16,209)	(16,607)
Application of additional smoothing		(4,076)	(4,000)
Revised forecast Shortfall / (surplus) to Executive 17 January 22	**(539)**	**36,854**	**57,597**

Investment Priorities

2.11. The draft budget position bought to Executive in January reflected a tighter estimated financial position and included £7.8m efficiencies and funding for unavoidable and specific budget pressures only. There was not the capacity to support the other budget pressures and priorities that had been identified. The following reflect these pressures, resident priorities and those in the updated Corporate Plan.

2.12. *Improving Basic Services and Street Cleaning* – £0.7m has been made available to support a range of additional measures to ensure the city remains a clean and attractive place to live and work and reflect current gaps in provision.

2.13. *Investment in Youth Provision* - £0.5m. Over the last three years c.£1.4M per annum has been invested into core youth and play activities in community settings. A Needs Assessment is currently being undertaken to prioritise how the limited funding will be prioritised from 2023 onwards, however, data analysed from quarterly performance returns has revealed that the investment should be strengthened, particularly in those areas that have medium to high needs.

2.14. To address this, it is proposed that this Youth and Play Commissioning Fund is increased by £500K per annum to:

- strengthen the universal youth and play offer to ensure access for children and young people across the city.
- support capacity building of grassroots groups and leadership training for youth work in community based organisations.

2.15. *Delivering the Council and city zero carbon action plan - £800k.* To support the continued delivery of our zero carbon ambition, which has seen the development of a £192m investment programme in climate change mitigations. This new investment includes an additional £0.7m of revenue per year to support for the 6 key areas where further progress needs to be made in the delivery of the Zero Carbon Action Plan. This includes additional capacity to develop a funded programme for housing investment and retrofit, a city-wide energy and infrastructure plan, embed awareness and behaviour change across the council and to maximise the benefits from the 10% procurement weighting for low carbon measures. All making direct contribution to the Climate Change Action Plan 2020-25. Further details are available in Appendix Four of the Neighbourhood Directorate Budget Report also on the agenda.

2.16. A further £100k is available to support other priorities. This could include work with the food system, or support to schools, where a small amount of funding could enable greater progress. Proposals for the use of this funding will be bought back to this Committee along with the updated climate change action plan in June.

2.17. *Supporting the delivery of neighbourhood priorities* – Whilst existing funding is in place to support the work of community groups in local wards a key issue that has emerged through the recent ward visits is the lack of funding to address small local priorities, such as a minor improvement to a park. In order to address this, it is proposed to allocate a small amount of funding of £20k per ward that can be used for agreed capital or revenue priorities that would make a real difference to the ward. The use would be agreed with the neighbourhood team who would ensure any proposals are aligned with other capital and revenue developments within the ward. The learning from 2022/23 will be used to inform how the funding could best be used in future years.

2.18. *Support to residents* – A further £0.7m has been identified to provide welfare related support to Manchester residents. Whilst the council cannot mitigate the combined impact of the removal of the £20 universal credit payment, inflation and energy prices and the planned national insurance increase, an amount of funding has been identified to provide targeted additional support.

2.19. Free school meals provision has been available for all the school holidays during 2021/22 but there is no further funding to extend this beyond that point. Therefore, it is proposed to use the above funding to extend this support to the Easter Holidays to all children and young people who are entitled to free school meals attending schools and early year settings (including those with no recourse to public funds).

2.20. Schools and other educational settings have worked in partnership with the Council on previous grant schemes. We are satisfied that this approach is the best way to capture most children and young people in the city. When determining the number of children and young people entitled and paid during earlier grant schemes the Council has also included "No recourse to public funds" households.

2.21. To continue with the same allocation of £15 per child or young person will cost up to £1.2 million. This will be funded from the additional £0.7m to provide discretionary welfare support to residents, the remaining balance of Household Support Grant funding that will be advanced to schools during this financial year.

2.22. *Talent and Diversity Team* – ongoing funding to support the newly formed Talent and Diversity team that was established in 2021/22.

2.23. *Violence Against Women and Girls* - as part of the Council's response to the issues and concerns around gender based misogyny and violence additional funding is being provided to fund a MCC lead post to co-ordinate, engage on and lead the overall delivery of this work

2.24. *New Protect Duty* – A small amount of funding is required for Manchester's contribution to a shared GM post to support the work of the 10 local authorities in this area.

2.25. The above proposals are summarised in the table below:

Table Three: Summary of proposed Investments

	Total 22/23	Total 23/24	Total 24/25
	£'000	£'000	£'000
Improving basic services and street cleaning	700	1,700	1,700
Investment in Youth Provision	500	500	500
Zero Carbon investment	800	800	800
Neighbourhood Priorities	700	700	700
Support to Residents	700	700	700
Preventing Violence Against Women and Girls	200	200	200
Talent & Diversity Team	200	200	200
Contribution to GMCA for new protect duty	20	20	20
Total proposed investments	**3,820**	**4,820**	**4,820**

Other changes since Executive 17 January 2022

2.26. In addition to the investment proposals set out above there are a number of other changes to be reflected in the final budget position. These are outlined in the paragraphs below and summarised in table three which sets out the amounts and the impact on the budget.

2.27. *Collection Fund decisions* – the Deputy Chief Executive and City Treasurer, in consultation with the Leader of the Council, has delegated powers to make the following key decisions:

- agree the 2021/22 estimated council tax surplus or deficit by 15 January 2022;
- set the 2022/23 council tax base by the 31 January 2022;
- agree the 2021/22 estimated business rates surplus or deficit by 31 January; and
- set the 2022/23 Business rates base by the 31 January 2022.

2.28. The position reported on 17 January 2022 included estimates for these amounts based on the in year monitoring. The final decisions are made in January as they must be based on the most recent data available. Section 4 of this report provides more information on the key assumptions and decisions made on the level of income expected from these two important sources of Business Rates (£344m) and Council Tax (£209m). The key decisions for Business Rates and Council Tax all have statutory deadlines in January which have to be met. The report to December Resources and Governance Scrutiny Committee *Setting of the Council Tax Base and Business Rates Shares* provides further information on how this is calculated and the decision making process.

2.29. The net impact of the four decisions is a £4.1m improvement for 2022/23, this is mainly as a result of continued housebuilding growth, which did not slow as predicted during the pandemic, and government announcements around Business Rates support. Over £3.4m of this is one off income arising from a greater Collection Fund surplus than originally estimated at the time the 2021/22 budget was set. Therefore, in line with the strategy of reducing the savings needed in future years and avoiding financial cliff edges as funding ends, it is proposed this is used to extend the life of the airport dividend reserve, by drawing down less than originally planned in lieu of the improved collection fund position.

2.30. *Inflation* - In light of the current increases to fuel costs and price inflation it is deemed prudent to increase the inflation allowance by £700k.

2.31. *Airport Reserve* – The balance at the start of this financial year was £44m. The original 2021/22 budget planned for £5m of this to be used in 2021/22 with the £39m balance used in 2022/23. The settlement announcements and improved Collection Fund position now allow the reserve to be reprofiled and used over the MTFS period to reduce the level of savings required in these years, before our commercial income begins to recover.

2.32. Other changes net to a £344k improvement in 2022/23 and include an increase in the amount of 2021/22 forecast underspend available to support 2022/23 (£210k) and updated levy budgets (£134k).

Table Four: Proposed changes since January Executive

	2022/23	2023/24	2024/25
	£'000	£'000	£'000
Forecast Shortfall / (surplus) reported to Executive 17 January 22	**(539)**	**36,854**	**57,597**
Remove unallocated investment funding	(4,000)	(4,000)	(4,000)
Add total proposed investments	3,820	4,820	4,820
Collection Fund Key Decisions	(4,131)	(760)	(518)
Increase inflation contingency	700	700	700
Revisions to Airport reserve use	4,494	(717)	(918)
Other changes	(344)	(116)	(134)
Total proposed changes	539	(73)	(50)
Current Position	**0**	**36,782**	**57,547**

3. Summary position

3.1. The table below summarises the Medium-Term budget position after the impact of the settlement announcements, Collection Fund decisions and a full review of all the resources available and expenditure commitments.

Table Five: Summary budget position

	Revised 2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000
Resources Available				
Business Rates Related Funding	260,465	235,553	323,847	341,840
Council Tax	176,857	208,965	206,620	217,197
Grants and other External Funding	120,243	104,533	87,374	85,374
Use of Reserves	184,667	141,548	31,510	16,491
Total Resources Available	**742,232**	**690,599**	**649,351**	**660,902**
Resources Required				
Corporate Costs:				
Levies / Statutory Charge	66,580	67,871	69,862	74,500
Contingency	600	1,060	860	860
Capital Financing	39,507	39,507	39,507	39,507
Transfer to Reserves	117,594	24,638	0	0
Sub Total Corporate Costs	*224,281*	*133,076*	*110,229*	*114,867*
Directorate Costs:				
Additional Allowances and other pension costs	8,316	7,316	7,316	7,316
Insurance Costs	2,004	2,004	2,004	2,004
Inflationary Pressures and budgets to be allocated	4,551	28,212	37,656	51,808
Directorate Budgets	503,080	519,991	528,928	542,454
Subtotal Directorate Costs	*517,951*	*557,523*	*575,904*	*603,582*
Total Resources Required	**742,232**	**690,599**	**686,133**	**718,449**
Shortfall / (surplus)	**0**	**0**	**36,782**	**57,547**

4. Underpinning Financial Assumptions

4.1. This section of the report sets out the detailed assumptions which underpin the forecast medium term budget.

Resources Available

Business Rates Related funding

4.2. In 2021/22 and 2022/23 this is made up of Business Rates Income, Business Rates Top-up or tariffs and Section 31 Grants from government. The Council has been part of a pilot scheme to retain 100% of additional business rate growth in Greater Manchester since 1 April 2017. The pilot set a growth baseline above which the ten Greater Manchester authorities retain 100% of growth for the length of the pilot. Business rates funding is adjusted to take into account assessed need with either a payment to government where income is above need (tariff) or receipt of a grant where it is below (top up). This is designed to ensure there is sufficient funding available to the local authority. 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 under the 50% scheme. The provisional Finance Settlement confirmed that the 100% Business Rates Growth Retention Pilot will continue for 2022/23. There is no confirmation of what will happen beyond next year.

4.3. Under the 100% pilot agreement, Revenue Support Grant and Public Health grant funding is rolled into the business rates system rather than receiving them as separate grants. For budget planning it has been assumed the Council will revert to a 50% share from 2023/24 onwards. This means the share of Business Rates Income retained locally is reduced and the Council would again receive Revenue Support Grant and Public Health grant. The level of these grants is assumed flat at 2022/23 notional amounts (Revenue Support Grant £60.063m and Public Health £55.246m). The table below shows the various funding elements each year.

Table Six: Business Rates related income

	100% retention		50% retention	
	Revised 2021/22	**2022/23**	**2023/24**	**2024/25**
	£'000	**£'000**	**£'000**	**£'000**
Business Rates Baseline (per MHCLG)	329,127	329,127	167,136	170,646
Difference from baseline	(8,295)	(34,413)	9,426	9,376
Forecast Share of Business Rates Income	**320,832**	**294,714**	**176,562**	**180,022**
Revenue Support Grant	0	0	60,083	60,083
Public Health	0	0	55,246	55,246
Business Rates Top Up / (Tariff)	(38,333)	(35,031)	16,279	16,620
Business Rates S31 Grants (non-COVID)	129,903	77,216	29,357	29,869
Surplus adjustment relating to 2019/20	818	0	0	0
Deficit related to S31 Grant Extended Retail Relief	(139,075)	(107,714)	0	0
Estimated Surplus relating to 2021/22		15,103		

Surplus adjustment relating to 2020/21		4,945		
Estimated deficit relating to 2020/21 (total £41.039m spread over 3 years)	(13,680)	(13,680)	(13,680)	0
Business Rates related income	**260,465**	**235,553**	**323,847**	**341,840**
Memo: Smoothing via reserves:				
Extended Retail Relief	139,075	83,961		
Compensation for irrecoverable losses	10,288	1,895	7,036	
Business Rates Reserve (S31 COVID Additional Relief Fund S31)		23,753		
Business Rates related income	**409,828**	**345,162**	**330,883**	**341,840**

*The reliefs that were granted to the retail, leisure and hospitality sectors as a result of the COVID-19 pandemic result in a reduction in business rates due but are fully funded by section 31 grant. A grant was received in 2020/21 and carried forward in reserve to offset the deficit in 2021/22. A further scheme was announced in 2022/23 resulting in a similar position on grant carry forward.

4.4. Business rates income would usually have been increased in line with September CPI, however as part of the Finance Settlement this has been frozen for 2022/23. The government have introduced a number of grant schemes as well as new reliefs to reduce or remove rate bills. The most significant being Extended Retail Discount based at 100% relief in 2020/21, 66%-100% in 2021/22 and 50% in 2022/23. The support for business is very welcome, however it has introduced more complexity into an already complicated system and makes the underlying and ongoing position difficult to forecast. At over £300m a year small percentage changes can have a big impact on the income received from business rates. The pandemic has also impacted on collection rates, appeals being lodged and other economic related reliefs such as that for empty properties. A collection rate of 94% in 2022/23 has been assumed.

4.5. The business rates base was formally decided on 31 January 2022 taking account of the latest data available, government announcements and fully reviewing all assumptions.

4.6. 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 each year since or frozen as per government announcements. This would usually have been increased in line with September CPI, however as part of the Finance Settlement this has been frozen for 2022/23 at £329.127m.

4.7. **Difference from baseline** – Manchester has grown above the government set baseline every year since 2013/14, although the pandemic has had a negative impact on collection rates and bought increased complexity due to the scale and range of reliefs.

4.8. The Deputy Chief Executive and City Treasurer, in consultation with the Leader of the Council, agrees under delegated powers to determine the Business Rates base for 2022/23 including the calculation of the Council's business rate income and the major preceptors share. Further, the Council is required to notify the Secretary of State and the Greater Manchester Combined Authority of the calculations, 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 **£294.714m**; the decision was made on the 31 January 2022.

4.9. The main reason this is lower then the government set baseline of £329.127m is the 50% Extended Retail Relief, which reduces income by £44.736m, which will be reimbursed via a section 31 grant.

4.10. The **business rates Top up / (tariff) -** In the Finance Settlement, it was announced that Revenue Support Grant would increase by an inflationary increase of 3.1%. As the Council is part of a 100% business rates pilot that is reflected in a reduction of £1.792m in the tariff which is payable to government.

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 Leader of the Council. The decision was taken on 31 January 2022.

4.12. The Council's 99% share of the 2021/22 Business Rates Deficit declared is £87.666m. This is made up of three elements as follows:

- A deficit as a result of the reliefs granted in response to the COVID-19 pandemic totalling £107.714m, namely Extended Retail Relief supporting retail, hospitality and leisure businesses, and COVID Additional Relief supporting other businesses impacted by the pandemic. Of this £3.665m relates to 2020/21 and £104.049m to 2021/22. These reliefs result in a reduction in business rates due but is fully funded by section 31 grant. The accounting arrangements for the Collection Fund mean the deficit due to these reliefs impacts a year in arrears in 2022/23, so the S31 grants will be transferred to reserves and drawn down in 2022/23 to cover the resulting deficit.
- An estimated surplus of £15.103m relating to 2021/22 that was declared at the end of January 2022.
- A reduction in deficit of £4.945m relating to 2020/21 which represents the difference between the Council's share of the estimated deficit for 2020/21, declared in January 2021, compared to the outturn position as at 31 March 2021.

4.13. In addition, there is a further deficit adjustment of £13.680m, which relates to 2020/21, and was declared in full last year. This represents one third of the 2020/21 deficit as estimated on 31 January 2021, and totalled £41.039m. The

Council was mandated to spread this deficit equally over a three-year period between 2021/22 and 2023/24 at £13.680m per year.

4.14. **Compensation for irrecoverable losses –** In 2021/22 the Government 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 £19.219m is expected, transferred to reserves and drawn down over 3 years from 2021/22 to 2023/24.

4.15. **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 relief introduced in response to the pandemic, namely Extended Retail Relief, which applied 100% relief in 2020/21, 66% - 100% in 2021/22 and 50% in 2022/23; and COVID Additional Relief in 2021/22. In 2021/22 this has reduced rates yield by £129.903m. The £77.216m for 2022/23 covers £44.736m relating to Extended Retail Relief, supporting the recovery of retail, hospitality and leisure businesses, and £32.480m for 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.

Table Seven: Forecast Business Rates Grants

	Revised 2021/22	**2022/23**	**2023/24**	**2024/25**
	£'000	**£'000**	**£'000**	**£'000**
Multiplier Cap 2021/22	16,738	30,170	18,539	18,832
Small Business Rates Relief	16,139	17,247	8,671	8,853
Extended Retail Discount / Nursery Relief	80,296	44,736	0	0
COVID Additional Relief Fund (CARF)	23,753	0	0	0
EZ Relief (100% retained)	811	430	441	450
Adjustment to Top up/Tariff in relation to multiplier cap	(7,834)	(15,367)	1,707	1,734
Total Business Rates Grants	**129,903**	**77,216**	**29,358**	**29,869**

4.16. In addition, the cost of discounts, awarded to qualifying businesses within the Enterprise Zones (EZ), are reimbursed to the Council. This reduces in 2022/23 as businesses in the Manchester Airport EZ are time barred from relief awards after 31 March 2022.

4.17. The estimate for 2022/23 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.

Council Tax

4.18. The Finance Settlement set out the maximum increases that can be applied to 2022/23 council tax without referenda. These are:

- Council element – 1.99%
- Adult Social Care – 1.0%
- Police and Crime Commissioner - £10
- Fire and rescue - £5
- Mayoral Combined Authority precept - No limit.

4.19. The Council collects council tax for its own requirements but also on behalf of the Greater Manchester Combined Authority (GMCA) and Police and Crime Commissioner through a precept. The decision on these precepts is for the GMCA and Police and Crime Commissioners, this report focuses on the increase to the Council element of the council tax charge.

4.20. The changes to the council tax receivable by the Council for 2022/23 are set out below:

- Referendum criteria – The Spending Review confirmed the general referendum threshold at 2% for the Council's other expenditure, (excluding adult social care). This will generate an additional £3.8m
- Social Care Precept – the Spending review also confirmed an Adult Social Care precept of 1%. This will generate an additional £1.9m
- The assumed council tax collection rate has been increased from 94.5% to 95.5% in 2022/23 increasing forecast income by £1.9m. By 2023/24 collection is assumed to be back at the usual pre-pandemic level of 96.5%.
- An increase in the council tax base of 5.5% (from the previous year's approved position) reflecting housing growth within the City and lower than anticipated Council Tax Support Scheme (CTSS) numbers. This brings an additional £10m income.

4.21. In addition, there is a forecast Council Tax surplus in 2022/23 of £12.4m relating to the differences between forecast and actual income for 2020/21 (£3.457m) and the forecast position for 2021/22 (£8.939m). The housebuilding sector in Manchester has remained buoyant despite the challenges of COVID-19. Almost half of the 2020/21 completions occurred in the final quarter of the year, after the tax base for 2021/22 was set. This trend has continued into 2021/22. The main reasons for the Council's surplus of £8.9m are as follows:

- £5.3m due to increased tax base following delivery of new homes, above that forecast, in Q4 of 2020/21 and to December 2021. The new build properties now have a greater proportion in Band D and above than seen previously.
- A revised estimate of student exemptions, reducing from 15,009 to 14,000. This could be in part due to impact of the pandemic but also changing models of student accommodation across the city with a growth in dedicated student housing blocks. This increased income by £1.2m.

- An overall reduction CTSS numbers, largely driven by a reduction in those of pensionable age. Numbers decreased by 2,864 from December 2021 to December 2022, rather than increasing by 1,500 which was assumed in the budget, increasing net income by £2.8m; and
- Adjustments to reliefs, premiums and bad debt provision decreasing income by £0.4m;

4.22. The table below shows the movements in forecast Council Tax income each year.

Table Eight: Breakdown of incremental changes to Council Tax Income 2022/23 to 2024/25

	Revised 2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000
General rate Increase	9,381	3,801	6,003	6,306
Adult Social Care Increase		1,910	0	0
Change to assumed collection rate		1,910	1,988	0
Increase to Tax Base		10,019	2,060	4,135
Changes to annual surplus / deficits:				
19/20 Final Council Tax deficit	(2,072)	2,072		
20/21 Estimated Council Tax deficit - spread over 3 years	(137)	0	0	137
20/21 Final Council Tax surplus		3,457	(3,457)	
21/22 Estimated Council Tax surplus		8,939	(8,939)	
Total Increased Council Tax	**7,173**	**32,107**	**(2,346)**	**10,577**

4.23. On 3 February the Chancellor announced a new support package “to help households with rising energy bills. Households living in properties in Band A-D will be eligible for a £150 rebate in their council tax bills. Government will refund local authorities for the cost of the rebate and associated administration costs. Local authorities will also receive a share of £144m discretionary funding to help people with their energy bills who are not eligible for the £150 rebate (for instance, because they live in properties in bands E-H, or are exempt from council tax). Information is awaited on how the discretionary fund will be allocated between local authorities.

4.24. The payment will operate outside of the council tax system, using council tax lists to identify eligible households. The rebate does not affect council tax setting and the calculation of bills and the presentation of charges will not be impacted. Detailed guidance will be published in the week beginning 7 February, and regulations will be laid before the 11 March. The detail available at the time of writing the reports is contained in the Corporate Core report elsewhere on the agenda.

Grants and other External Funding

4.25. 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.

Table Nine: Non Ring-Fenced Grants and Contributions

	Revised 2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000
COVID-19 related unringfenced grants	32,419	0	0	0
Better Care Fund (Improved)	30,815	31,748	31,748	31,748
Children's and Adult's Social Care Grant	23,877	31,924	31,924	31,924
Market Sustainability and Fair Cost of Care Fund	0	1,800	1,800	1,800
2022/23 Services Grant	0	12,324	12,324	12,324
Settlement Risk	0	0	(6,000)	(8,000)
Lower tier services grant	1,236	1,328	0	0
New Homes Bonus Grant	8,330	9,857	0	0
Loan Income	14,901	6,913	6,913	6,913
Contribution from MHCC	4,000	4,000	4,000	4,000
Education Services Grant	1,200	1,200	1,200	1,200
Housing Benefit Admin Subsidy	2,514	2,514	2,514	2,514
Council Tax Support Admin Subsidy	856	856	856	856
Care Act Grant - Prison only from 16/17	95	95	95	95
Total Non Ring-fenced Grants	**120,243**	**104,559**	**87,374**	**85,374**

4.26. More detail on the non ring-fenced grants and contributions is set out below.

- **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. In 2022/23 it has been inflated by 3%, with distribution of funding unchanged giving the Council a receipt of **£31.748m.**
- **Children and Adults Social Care Grant –** This was introduced in recognition of the increased pressures in Social Care. The national grant increased by £300m in 2021/22 which has been built into the base. A further increase of £636m has been confirmed for 2022/23 of which Manchester receives £8.047m bringing the total 2022/23 receipt to **£31.924m.**
- **Market Sustainability and Fair Cost of Care Fund** – This is the first part of the Adult Social Car Reform Funding. The 2022/23 funding is designed to ensure local authorities can prepare their markets for reform and move towards paying providers a fair cost of care, as appropriate to local

circumstances. The Council will receive **£1.8m** and the detail is contained in the Health and Social Care budget report elsewhere on the agenda.

- **2022/23 Services Grant £12.3m** - This is a new one-off unringfenced grant from 2022/23 and includes funding for the increase in employer National Insurance Contributions. The funding is in the Government's baseline budgets, but the allocation to individual local authorities is not guaranteed beyond 2022/23 and the Government intend to work closely with local government on how to best allocate this funding from 2023/24 onwards.
- **Settlement Risk adjustment** This is a local adjustment to resources to recognise the risk around the redistribution of resources following funding reforms and the fact the new Services Grant is only announced for 2022/23. An estimated adjustment of **£6m** has been made for the year of expected reforms, 2023/24, increasing to **£8m** the following year as transition funding would unwind. This is a local estimate and the budget will be updated once the level of grant funding for future years is known.
- **Lower tier services grant -** This was a new un-ringfenced grant in 2021/22 which has been continued for 2022/23 only at £111m. The Council will receive **£1.3m** which is supporting the overall budget position in 2022/23. This grant will not continue after 2022/23.
- **New Homes Bonus (NHB) Grant -** This is paid to local councils to reflect and incentivise housing growth. The Government has proposed a new round of NHB payments (year 12 payments) in 2022/23 which will not attract new legacy commitments in future years. The allocations for 2022/23 will be funded through a £333m top slice of Revenue Support Grant (RSG). The methodology will be the same as in 2021/22 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. The Council will receive £6.774m. A legacy NHB payment associated with year 9 (2019/20) of £3.083m will also be received giving a total 2022/23 receipt of **£9.857m.** The Government has consulted on a replacement for NHB and their proposals are awaited.
- **Loan Income** £6.913m- Use of net income from the airport loan advanced in 2020/21, after allowing for the costs of interest and minimum revenue provision (MRP).
- **Contribution from MHCC** - This relates to the agreement of a longer-term joint funding strategy with the CCG which includes the ongoing **£4m** contribution to the Adult Social Care aligned budget.
- **Education Services Grant £1.2m -** This relates to retained funding from DSG to fund statutory duties.
- **Housing Benefit Admin Subsidy (£2.514m) and Council Tax Support Admin Subsidy (£856k)**- allocated to local authorities to support the costs of administering the range of welfare payments payable to residents.
- **Care Act Grant £95k**- Funding allocations for adult social care duties previously announced.

4.27. **Public Health Grant** is not reflected in the table above as during the 100% Business Rates pilot this is met from retained business rates. The 2022/23 allocations have been announced and the Council's share is £55.246m, up £1.520m from £53.726m in 2021/22. This increase will be reflected in a reduced business rates tariff payment to the government. The additional resources have been passported to Adults Social Care and population Health budget.

4.28. 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 2022/23 and budgets will be updated in year as grant announcements are made. The total grants included in the budget assumptions for each Directorate are summarised in the table below.

Table Ten: Specific Government Grants within Directorate budgets

	Revised 2021/22	**2022/23**
	£'000	**£'000**
Children and Young People	373,344	380,440
Adult Social Care	5,166	5,166
Corporate Core	183,635	184,215
Neighbourhoods Directorate	13,899	13,993
Growth and Development	8,470	8,462
Total Directorate Grants	**584,513**	**592,275**

Use of Reserves

4.29. 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 £141.5m in 2022/23, of which £109.6m relates to Business Rates grant. The full detail is shown in the reserves section later in this report.

Resources Required

Levies / statutory charge

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

Table Eleven: Levy Payments and Payment to GMCA

	Revised 2021 / 22	**2022 / 23**	**2023 / 24**	**2024 / 25**
	£'000	**£'000**	**£'000**	**£'000**
GMCA - Waste Disposal Authority*	28,731	29,956	31,747	32,704
Transport Levy	37,525	37,573	37,773	37,973
Statutory Charge to GMCA	0	0	0	3,481
Environment Agency	230	248	248	248
Port Health	78	84	84	84

Probation (residuary charge for debt)	7	7	7	7
Magistrates (Residual debt)	9	3	3	3
Net Cost of Levies	**66,580**	**67,871**	**69,862**	**74,500**

4.31. The Transport Levy is to cover the costs of the GMCA transport policies. The final amount will be decided as part of the GMCA budget process. It has been assumed the total level will be frozen for 2022/23 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.

4.32. The statutory charge from GMCA is to cover costs that cannot legally be included in the transport levy. The 2024/25 estimate is the council's contribution for bus reform.

4.33. The waste disposal levy is paid over to Greater Manchester Combined Authority (GMCA) and this contributes towards their costs of funding Greater Manchester Waste Disposal Authority (GMWDA). Based on figures provided by GMCA the 2021/22 levy costs are to increase by £1.225m, due to changes in costs, recycling rates and market prices for recyclates and energy. The budget has been uplifted to reflect the increased costs. The final amount will be confirmed following the meeting of the GMCA on 11 February 2022 and may vary slightly.

Contingency

4.34. The required contingency amount includes:

- £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.
- £460k in relation to risks associated with the waste levy, the estimated tonnages submitted to inform the levy are based on 7% above pre-COVID levels. Any increase above this would result in the council being liable for a higher charge.

Capital Financing Budget

4.35. The capital financing budget of £39.507m is to cover the costs of borrowing. For 2022/23 the forecast breakdown is as follows; this included:

- Costs of £90.4m as follows:
    - Interest costs of £31.3m,
    - Minimum Revenue Provision (MRP) of £33.0m, 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 £0.2m, and
    - Contributions to the Capital Fund Reserve of £25.9m.
- Partly offset by interest receivable of £50.9m.

4.36. The Council can only borrow to cover capital expenditure. The Capital Strategy and Budget and Treasury Management Statement are reported elsewhere on this agenda. These provide more detail on the future borrowing requirements and on the debt and MRP position. The Council is forecast to borrow an additional £539m for the three year period up to and including 2024/25, based on the current approved capital programme. To avoid the additional capital financing costs of 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.

Transfers to Reserves

4.37. The planned transfers to reserves total £13.545m in 2020/21 and £24.638m in 2021/22. The full breakdown of these amounts is shown in the Reserves Section of this report.

Allowances and Insurances

4.38. Additional **allowances for former staff and teachers' pension costs** total £8.316m in 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. This budget also includes the annual saving from pre-paying the councils pension contributions. A £1m reduction is proposed in this area as part of the mitigations to balance the 2022/23 budget relating to:

- Reduced budget for historic pension costs linked to reducing numbers of participants (£0.5m)
- Increase to saving target for pension contribution pre-payment as the associated interest costs are lower than originally forecast (£0.5m)

4.39. **Insurance costs** of £2.004m relates 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

4.40. The main assumptions are shown in the table below and detailed in the paragraphs which follow.

Table Twelve: Inflationary pressures and budgets to be allocated

	Revised 2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000
Non Pay Inflation	0	10,804	14,235	18,235
Sales Fees & Charges Inflation	0	(2,000)	(2,000)	(2,000)
Electricity Inflation	0	7,200	5,500	5,500
Pay Inflation	3,302	10,929	18,611	26,531
Pension Contribution Increase 1% estimate	0	0	0	2,200

Apprentice Levy (0.5%)	999	1,029	1,060	1,092
Digital City work	250	250	250	250
Total	**4,551**	**28,212**	**37,656**	**51,808**
Year on year Impact	**(1,544)**	**23,661**	**9,444**	**14,152**

4.41. Inflation has been rising and the following provisions have been made within the draft Revenue Budget:

- Non-Pay inflation - provided for increased running costs each year as a result of inflation. Increased allowance to cover general contract inflation and gas of £8.8m in 2022/23 followed by £4m increase per year. This is net of additional income which could be achieved through a review of Sales, Fees and Charges. A 2.5% increase would raise around £2m and reflect the increases in costs of providing the services charged for.
- The full year effect of electricity price increases forecast at £7.2m next year reducing to £5.5m thereafter.
- Pay inflation – An allowance for 2021/22 pay award is being held until the pay negotiations for local government have been concluded. The budget from 2022/23 reflects an assumed 3% increase per year (c£7.5m a year)
- Apprenticeship levy - this is payable as 0.5% of the annual pay budget.
- An assumes 1% increase to the pension contribution rate from 2024/25. This will be informed by the actuarial valuation.
- Digital City work - a budget of £250k to support the ambition of being a Smart City by 2025. This means being strong with digital technology companies and is a key enabler to delivering the carbon agenda.

4.42. An element of the inflationary funding will relate to the Section 75 aligned budget. The table below shows the indicative allocations on a pro rata basis.

Table Thirteen: Indicative inflationary allocations to the Section 75 aligned budget

	Revised 2021 / 22	**2022 / 23**	**2023 / 24**	**2024 / 25**
	£'000	**£'000**	**£'000**	**£'000**
Non Pay Inflation	0	3,520	5,383	7,143
Pay Inflation	955	2,591	4,227	5,863
Total	**955**	**6,111**	**9,610**	**13,007**

Directorate cash limit budgets

4.43. Each Directorate must 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 approved savings, recommended budget mitigations 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 2022/23 changes and recommended revised cash limit budgets are shown in the table below. The paragraphs which follow set out the main changes by directorate.

Table Fourteen: Change from 2021/22 Cash Limit budget to 2022/23 Cash Limit budget

	Revised net budget 2021/22	Savings*	Changes relating to 21/22 budget setting	New pressures / Investments	Proposed net budget 22/23
	£'000	£'000	£'000	£'000	£'000
Children's	118,701	(292)	9,893	718	129,020
Adult's Social Care	219,031	(3,886)	11,655	294	227,094
Corporate Core	82,895	(2,654)	(124)	4,418	84,535
Neighbourhoods (inc Homelessness)	91,486	(946)	(4,315)	2,869	89,094
Growth and Development	(9,033)	(59)	(700)	40	(9,752)
Total	**503,080**	**(7,837)**	**16,409**	**8,339**	**519,991**

*The Corporate savings of £1m, (detailed at paragraph 4.38) bring the 2022/23 total savings to £8.837m. The proposals are listed at Appendix 1

4.44. The budget assumptions that underpin 2022/23 to 2024/25 include the commitments made as part of the 2021/22 budget process to fund ongoing demand pressures as well as provision to meet other known pressures and investments. Whilst this contributes to the scale of the budget gap it is important that a realistic budget is budget set which reflects ongoing cost and demand pressures.

Children's Services

4.45. Overall the Children's budget will increase by £10.319m to £129.020m. The changes include:

- Savings (£292k) which includes:
  - Savings agreed in 2021/22 (net £152k increase). This reflects the full year impact of 2021/22 placements and the reversal of one off savings approved in 2021/22 only.
  - Workforce budget saving (£444k). This is the Children's share of the £2m council saving and relates to a 1% increase to the vacancy factor to more accurately reflect the fact that many employees are not at the top of the grade and the current levels of turnover
- Children's Investment mainstreamed (£7135m) to address pressures and provide the capacity to invest in early help and prevention, alongside evidenced based interventions which support improving outcomes for children and financial sustainability.
- Demographic Growth (£2.293m) - Changing levels of demand through population growth and complexity of need are calculated and provision made within the budget, overall, the population of children in the city is expected to increase by 3%. The 2023/24 and 2024/25 demographic changes total £2.357m and £2.419m, respectively.
- Annual Fostering Uplift (£465k) - Children Services has worked to deliver a more attractive offer to foster care, an effective marketing campaign, develop skills within the in-house fostering service and plan for conversion

of external foster carers to become internal foster carers as part of the new procurement framework arrangement being developed in the North West. An external commission to review the current offer to in-house foster carers compared to external agencies was completed by 31st January 2019. The current offer from Manchester City Council's Fostering Agency is increasingly positive and comparable to external agencies. In order to maintain this the service is seeking to uplift in-house foster care offer by 2.1% to be applied April 2022 onwards. Alongside this there is a continued focus on Special Guardianship Orders, this will be achieved through increased confidence in the 'offer' and 'conversion' from long-term fostering arrangements.
- Early Years pressure (£400k) - In 2012, as part of the austerity cuts, the Council took the decision to withdraw from the direct provision of day-care services to move to a new model, with the Council acting as commissioner of day-care services. As the condition of the estate has deteriorated maintenance costs are higher than day care providers anticipated and can afford. A review of the current arrangements with tendered day-care has been concluded and Executive have agreed a capital investment of £3m to improve the condition of these buildings. However, this is a 3-year programme and current projections indicate an ongoing budget shortfall.
- National Insurance increase of 1.25% (£318k).

Adult Social Care

4.46. There is a Section 75 agreement between Manchester Foundation Trust (MFT) and MCC which allows for the delegation of Adult Social Care responsibilities to the Chief Executive of the Manchester Local Care Organisation (MLCO). The S75 agreement includes an aligned budget for community health and Adult Social Care which is planned to continue for 2022/23. Overall, the planned contribution to the aligned budget and the population health budget will increase by **£13.219m**, including an indicative £5.156m of inflationary budget held centrally, as referenced at paragraph 4.42 . This includes:

4.47. Additional government funding in addition to council budgets has funded the following specific areas and totals £14.639m:

- The costs for the National Living Wage (NLW) increase (£5.731m 22/23, £5.6m 23/24, £6.0m 24/25). An uplift to National Living Wage of 6.6% to £9.50 per hour was announced as part of the Spending Review.
- Increased demand associated with population growth (£2.2m 2022/23, £2.2m 2023/24, £2.6m 2024/25).
- £2.150m increase in recurrent budget through the mainstreaming of adults' investment to support the ongoing delivery of the ASC Improvement Plan. This was previously funded from reserves.
- The additional funding via the 'social care levy' or Market Sustainability and Fair Cost of Care Fund of £1.8m to fund the work required to implement the Fair Cost of Care and to contribute to an increase paid to providers
- The uplifting of the Improved Better Care Fund for inflation by £0.9m which will be used to fund some costs currently met by one-off funding as detailed later in the report.

- Public Health Grant uplift of £1.510m for 2022/23.
- National Insurance increase of 1.25% (£294k).

4.48. There is £10.656m of investment to cover the inflation and pay award costs of £5.516m and £5.5m of system support towards the BOBL programme, which is partially offset by the removal of the one off capacity funding of £2.690m, which has been removed from the 2022/23 budget.

4.49. This brings the total additional investment into the aligned budget to £22.605m, before the BOBL and vacancy factor savings of £9.386m are removed, giving a net increase to the Adults and Social Care budgets of £13.219m.

Corporate Core

4.50. Overall the Core budget will increase by **£1.640m** to £84.535m. Full details are set out in the Core report elsewhere on the agenda. The changes include:

- Savings of **£2.654m** as set out in Appendix One as follows:
  - The 2022/23 impact of savings approved in 2021/22 (£1.153m)
  - New proposed savings to offset emerging pressures as reported to November Executive (£1.017m)
  - Workforce budget saving (£484k). This is the Core share of the £2m council saving and relates to a 1% increase to the vacancy factor to more accurately reflect the fact that many employees are not at the top of the grade and the current levels of turnover
- A net reduction of **£124k** relating to 21/22 budget setting:
  - One off COVID-19 budget support being removed (£0.598m)
  - Mainstreaming of staff costs previously funded through Our Manchester reserve (£474k)
- New Pressures / Investments totalling **£4.418m**:
  - National Insurance increase of 1.25% (£417k)
  - Pressures as reported to November Executive (£2.281m) and detailed in the Corporate Core budget report also on the agenda. These were partly offset by £1.17m savings and efficiencies also identified in that report.
  - £1.720m proposed investment following the financial settlement as detailed in paragraphs 2.11 to 2.25 of this report:
    - £0.8m to support delivery of both the council and city zero carbon action plan.
    - £0.7m welfare related support to Manchester residents.
    - HR Organisational Development - £200k to provide additional capacity in HROD, to support ongoing development of talent and diversity across the council.
    - New Protect Duty – £20k of funding is required for Manchester's contribution to a shared GM post to support the work of the 10 local authorities in this area.

Neighbourhood Services

4.51. Whilst overall the cash limit budget has reduced by £2.4m to £89.1m this reflects the removal of £4.960m COVID-19 budget support. Without this the budget for Neighbourhood Services has actually increased by £2.6m with the proposals below. Full details are set out in the Neighbourhoods report elsewhere on the agenda The changes include:

- Savings approved in 2021/22 (£0.946m) as set out at Appendix One.
- One off COVID-19 budget support being removed (£4.960m). This support was part funded through government grants which have now ended. The support within Neighbourhoods budgets included:
  - Off street car parking (£3.136m) to reflect the reduced number of car park users.
  - Markets (£717k) reflecting closures and reduced footfall
  - Leisure (£600k) to offset lost income due to reduced users
  - Catering (£172k)
  - Smaller amounts totalled £335k across Leisure, Libraries, pest control and Compliance Services.
- Mainstream the costs of the Anti Social Behaviour team as reserve funding ends (£495k)
- Pressure relating to the waste contract (£150k)
- New pressures and investments (£2.869m) including:
  - CCTV (£264)
  - Winter services (£200k)
  - increased budget for the 1.25% National Insurance increase (£305k)
  - Additional funding to support ward priorities and micro issues to be addressed (£0.7m)
  - Improving basic services – with focus on street cleaning (£0.7m)
  - Youth Investment (£0.5m)
  - Ending Violence Against Women and Girls (£200k)

Growth and Development

4.52. Overall the cash limit budget has reduced by £0.7m. The directorate has a 2022/23 net income target of £9.8m. Full details are set out in the Growth and Development report elsewhere on the agenda The changes include:

- Budget cuts as set out at Appendix One (£59k)
- Reductions relating to one off COVID-19 budget support being removed (£0.7m)
- Increased budget for the 1.25% National Insurance increase (£40k)

4.53. The recommended revised cash limit budgets are shown in the table below. Full details are included in the directorate budget reports elsewhere on this agenda.

Table Fifteen: Directorate budgets

	2021 / 22		2022 / 23	
	Net Budget	Gross Budget	Net Budget	Gross Budget
	£'000	£'000	£'000	£'000
Children Services	118,701	151,932	129,020	162,251
Adults Services	219,031	225,562	227,094	233,625
Corporate Core	82,895	331,348	84,535	332,988
Neighbourhoods (Incl. Highways)	91,486	227,880	89,094	225,488
Growth and Development	(9,033)	38,737	(9,752)	38,018
Total	**503,080**	**975,459**	**519,991**	**992,370**

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.

5.4. It is planned that reserves will be utilised over the course of the Medium Term Financial Strategy to support the budget smoothing and to allow investment in priorities. The overall level of reserves is therefore forecast to reduce over time as a result of these plans.

Transfer to reserves

5.5. 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 2022/23 planned transfers to reserves total £24.638m including:

- £12m set aside following the provisional settlement announcements, available to fund pressures over three years as outlined to 17 January Executive. The planned investments are detailed earlier in this report
- £16.6m transfer to business rates reserves. This is made up of £4.9m additional rates related income following Government's announcement to continue the 100% retention pilot in 2022/23; an additional £6.4m linked to indexation of Section 31 grants, mainly due to the reimbursement from the move from RPI to CPI and the significant disparity between the two in September 2021; and £5.3m from other income increases linked to increased collection and reduced appeals.

5.6. The following section shows an analysis of the planned use of reserves in 2021/22 and 2022/23 to support revenue expenditure.

Table Sixteen: Use of reserves supporting the revenue budget

	Planned use of Reserves			
	2021/22	**2022/23**	**2023/24**	**2024/25**
	£'000	**£'000**	**£'000**	**£'000**
Reserves directly supporting the council wide revenue budget:				
Business Rates Reserve	155,632	109,609	7,036	0
Budget smoothing reserve	11,266	0	15,590	7,481
Bus Lane (supporting Transport Levy)	5,092	4,092	4,092	4,092
Capital Fund - Supporting the revenue budget	7,763			
General Fund		2,970	0	0
Airport Dividend Reserve	4,913	24,851	4,792	4,918
Sub Total	**184,666**	**141,522**	**31,510**	**16,491**
Reserves directly supporting directorate budgets				
Adult Social Care	3,350	9,834	4,815	0
Children's Social Care	7,446	2,095	0	0
Anti Social Behaviour Team	540	0	0	0
Our Manchester Reserve	1,654	1,403	0	0
Sub Total	**12,990**	**13,332**	**4,815**	**0**
Bus Lane and Parking reserves	4,650	5,091	4,400	4,400
Other Statutory Reserves	197	197	197	197
Balances Held for PFI's	84	368	191	251
Reserves held to smooth risk / assurance:				
Transformation Reserve	333	333	335	1

Other Reserves held to smooth risk / assurance	4,077	11,195	24,939	1,549
Reserves held to support capital schemes:				
Capital Fund	13,826	20,000	29,886	20,000
Investment Reserve	906	1,463	1,876	1,504
Manchester International Festival Reserve	1,060	1,107	1,154	1,204
Eastlands Reserve	5,173	5,118	4,389	2,550
Enterprise zone reserve	1,061	1,061	1,061	668
Reserves held to support growth and reform:				
Better Care Reserve	5,682	9,295	0	0
Town Hall Reserve	2,383	2,330	3,699	3,984
Other Reserves to support growth and reform	639	221	30	0
Grants and Contributions used to meet commitments over more than one year	32,152	1,493	1,825	0
Small Specific Reserves	1,070	566	766	288
School Reserves	6,920	0	0	0
	277,870	**214,692**	**111,073**	**53,087**

Reserves directly supporting the Council Wide budget

5.7. 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 **£141.5m** in 2022/23 (or £31.9m after the impact of the S31 grants carried forward in reserves to offset the deficit in 2021/22 is considered). These include:

5.8. *Airport Dividend Airport Dividend Reserve* - It is not deemed to be prudent to assume any dividend income will be received until after 2024/25. The reserve balance from previous years receipts is £44m at the start of 2021/22. It is proposed this is used over five years, to partly mitigate the loss of dividend income.

5.9. *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. It is also used to smooth grants and deficits between years. The planned drawdowns 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 in 2021/22 and £83.961m in 2022/23.
- Section 31 grant for the Local Tax income guarantee scheme £10.288m in 2021/22, £1.895m in 2022/23 and the final amount of £7.036m in 2023/24
- Use of funds from business rates pilot growth to partly offset the business rates deficit in 2021/22 £6.270m.
- Section 31 grant for COVID Additional Relief Fund in 2022/23 of £23.753m

5.10. *Budget Smoothing Reserve* - This reserve hold funds to be used over the medium term budget. There are three elements as follows:

- £11.266m in 2021/22 funded from prior year rebates from GMCA, this will support the overall budget position.
- Budgets that were added for 2021/22 and have subsequently not been required have been transferred to the smoothing reserve in 2021/22 to support the medium-term budget position and reduce the budget gap. The Revenue Monitoring elsewhere on this agenda provides the detail. To date this totals £11.690m largely relating to some COVID budget pressures not impacting as severely as initially forecast.
- £4m a year drawdown in both 2023/23 and 2024/25 to fund investments following the settlement as outlined earlier in this report
- £3.481m in 2024/25 is the Council's forecast contribution to bus reform, funded from GMCA rebates received in previous years.

5.11. *Bus Lane Enforcement Reserve* - An amount of £5.092m in 2021/22 reducing to £4.092m from 2022/23 is to be used to contribute towards the costs of the transport levy.

5.12. *Capital Fund* – This planned use of the Capital Fund to support the revenue budget of £7.763m for 2021/22 was part of the measures to close the budget deficit arising from COVID-19.

5.13. General Fund – Planned reserve use of £2.870m relates to:

- £1.170m is the forecast 2021/22 underspend as reported to Executive in the monitoring report elsewhere on this agenda
- A further £1.8m to support the 2022/23 budget whilst maintaining the General Fund reserve balance at the reasonable level of £25m.

Reserves applied to support specific spend within Directorate Cash Limit Budgets

5.14. 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. **£73.1m** is being applied in 2022/23 to fund specific costs within Directorate budgets, Further detail on the main planned use of reserves is set out in more detail in the following paragraphs.

5.15. *Amounts directly supporting directorate budgets:*

- *Adult Social Care Reserve* - This is made up of the following planned drawdowns:
  - Delayed discharge (£1m) in 2021/22 - This relates to the costs of supporting clients discharged from health, following a full care assessment.
  - Fire Safety requirements (£200k in 2021/22 and £391k in 2022/23). This will ensure properties are compliant with fire safety regulations and remove the need for staff to be on site throughout the night, unless a specific care need requires their presence.

  - System Support (£5.5m). In 2022/23 the BOBL programme savings were planned to increase by £8.8m to £14.9m. Work carried out indicates that £9.4m of this will be achievable and carried forward system support funding of £5.5m will be used to meet the gap.
  - Carers Offer (£777k) in 2022/23. The original support from GM finishes in March 22 and a new pathway for support has been developed with the Carers Manchester VCS Network.
  - The remaining balances are earmarked at £3.166m in 2022/23 and £3.565m in 2023/24 to provide further support to the social care market, underwrite the New Care Models, whilst ongoing evaluation of funding continues with partner organisations and to mitigate against the risk of inadequate funding being available from central government following the work to support and reform the care market.
- Children's Services – This is made up of the following elements:
  - Pressures and capacity (£7.135m) reserve investment over three years from 2019/20 was approved to address pressures and provide the capacity to invest in early help and prevention, alongside evidenced based interventions which support improving outcomes for children and financial sustainability. The 2021/22 reserve drawdown reflects the last year of funding to support the 2021/22 budget position. The £7.135m will be mainstreamed from 2022/23.
  - Social Care Improvement (£311k) in 2021/22 was previously approved supporting social workers.
  - Use of reserve to support savings in 2022/23 (£1.409m). The 2021/22 budget planning process acknowledged that not all the options could be fully realised in 2021/22-2022/23 and it was approved that the reserves can be used on a one-off basis to smooth out transition reductions in budget.
  - Placement risk (£686k) The remaining balance is earmarked in 2022/22 in relation to the emerging risk of increased need for children to require a specialist intervention and becoming looked after; leading to placement costs being over and above those factored in the budget already.
- Anti-Social Behaviour Team costs of £0.540m have been funded from reserve for three years. The final drawdown was in 2021/22, the costs have been mainstreamed in 2022/23.
- *Our Manchester Reserve* - Investment made available as part of the 2017-2020 budget process to drive forward the delivery of Our Manchester initiatives. The final reserve balance of £1.403m will be used in 2022/23. The staffing element of £474k has been mainstreamed from 2022/23.

5.16. *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 2022 is £12.240m. It is estimated that £10.295m will be added to these reserves during 2022/23 and £4.092m used to support the transport levy and £5.091m to fund eligible spend with the Neighbourhoods directorate. This would leave an estimated balance of £13.352m at the 31 March 2023.

5.17. *Transformation Reserve* - An amount of £1m over three years (2020/21 to 2022/23 at £0.333m per year was previously approved to support volunteer engagement, provide programme management capacity and specialist support for the transformation programme.

5.18. *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.

5.19. *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.

5.20. *Manchester International Festival (MIF) Reserve* - The amount of the Council's contribution was agreed as part of the original funding package to attract government investment for The Factory in Manchester. Prior to this the funding for MIF was £1m per annum from the revenue budget with an additional £0.5m in each festival year. As part of the 2020/21 budget setting process a reserve was established from the associated business rates growth from the St Johns quarter to cover the majority of the 10-year grant agreement. This means that a reduced amount of £0.5m per annum is funded from the revenue budget and £1m per annum from the reserve. The reserve will also be used to support any cashflow support required for the Factory Trust and commercial fund raising campaigns. The reserve would be reimbursed when fund raising is received.

5.21. 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.

5.22. Enterprise zone reserve - This reserve holds rates income collected above the pre-determined baseline for the two Corridor Enterprise Zones (EZ). The reserve is used to fund investment within this EZ and the EZ manager post.

5.23. Better Care/Integration Reserve - The reserve is a joint resource between Manchester City Council and Manchester Local Care Organisation to support the infrastructure requirements that underpin the mobilisation of the Locality Plan and is currently managed as part of the aligned budget. use of this reserve will be subject to the approval of the Deputy Chief Executive and City Treasurer in consultation with the Accountability Board Finance subgroup and the MLCO Director of Finance.

5.24. *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) can be used to fund the revenue costs.

5.25. The forecast movements on reserves would result in year end balances as shown in the table below and detailed by reserve in Appendix 4. The Medium-Term Financial Strategy elsewhere on the agenda considers the adequacy of reserves.

Table Seventeen: Forecast reserves position

	Opening Balance 1 April 2021	Forecast Opening Balance 1 April 2022	Forecast Opening Balance 1 April 2023	Forecast Opening Balance 1 April 2024	Forecast Opening Balance 1 April 2025
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Ring-fenced Reserves outside the General Fund:					
HRA Reserves	117,234	98,043	84,055	86,450	85,380
School Reserves	21,479	14,559	14,559	14,559	14,559
Earmarked Reserves:					
Airport Dividend Reserve	43,953	39,040	14,189	9,397	4,479
Insurance Fund	18,064	17,564	17,064	13,564	13,064
Business Rates - COVID-19	161,959	116,645	7,036	(0)	0
Grant reserves - COVID-19	29,222	(0)	0	(0)	(0)
Statutory Reserves	17,495	17,544	18,559	20,265	21,971
Balances Held for PFI's	2,204	2,171	1,855	1,716	1,518
Reserves held to smooth risk / assurance	85,885	67,801	69,511	27,479	19,525
Reserves held to support capital schemes	149,144	130,473	127,089	101,738	83,398
Reserves held to support growth and reform	32,747	22,389	9,140	5,411	1,427
Grants and Contributions used to meet commitments over more than one year	10,834	9,367	7,908	6,083	6,083
Small Specific Reserves	6,507	6,102	5,656	5,010	4,842
Sub-Total Earmarked Reserves	**558,014**	**429,096**	**278,007**	**190,663**	**156,308**
General Fund	26,803	27,973	25,003	25,003	25,003

6. Consultation

6.1. A public consultation ran from 11 January 2022 to 8 February 2022. There is no programme of specific cuts or plans to reduce council services to balance the budget this year. The consultation asks for views on:

- Whether the spending we are considering remains in line with the priorities that thousands of residents helped us set in previous years.
- A council tax rise of 1.99% which we're considering in order to prevent further cuts to services.
- A possible further 1% council tax rise to help fund social care for the most vulnerable adult

6.2. 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 28 February 2022.

7. Conclusion

7.1. Overall the settlement announcements were towards the positive end of expectations and mitigations in the region of £7.7m, as previously identified, will be sufficient to balance the 2022/23 budget. These are in addition to savings previously approved of 2022/23 of £4.8m bringing total savings and mitigations to £12.5m.

7.2. The funding outlined in this provisional settlement confirms that the 2022/23 budget can be balanced without additional savings in addition to those already approved. It also brought some one-off capacity for the funding of emerging pressures and some smoothing of future years.

7.3. The Council remains committed to the priorities within the Our Manchester strategy and the Council’s revised corporate plan. The 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 and the receipt of the final Finance Settlement.

7.4. Whilst a balanced budget can be delivered for 2022/23, the future financial position remains challenging, and the resilience of the Council has been reduced by the need to use its reserves to support the budget position.

7.5. Officers have estimated the future resources available based on the information available. This results in forecast gap of £38m in 2023/24 increasing to £59m in 2024/25.

7.6. The focus now is on identifying savings and mitigations to keep the Council on a sustainable financial footing. It is proposed that budget cuts and savings of £60m over the next three years are developed for member consideration. £30m of risk-based reserves have been identified as available to manage risk and timing differences

Appendix 1 Savings and Efficiency Proposals 2022/23 to 2024/25

Service Area	Approval Year	Description of Saving	2022/23 £000	2023/24 £000	2024/25 £000	Total
Adult Social Care:						
Adults Services	2021/22	Better Outcomes Better Lives	3,326	3,477	0	6,803
Adults Services	2022/23	Share of 1% workforce savings target	444			444
Total Adults			**3,770**	**3,477**	**0**	**7,247**
Children's:						
Children's Services	2021/22	Placement Stability	415	0	0	415
Children's Services	2021/22	Market Development	376	0	0	376
Children's Services	2021/22	Improving Permanence	159	0	0	159
Education	2021/22	Schools Quality Assurance - reversal of one off saving	(150)	0	0	(150)
Children's Services	2021/22	Early Years – Core offer, Speech & Language	100	100	100	300
Children’s Services	2021/22	Troubled Families - reversal of one off saving	(1,150)	0	0	(1,150)
Education	2021/22	DSG reserve - reversal of one off saving	(1,000)	0	0	(1,000)
Children's Services	2021/22	Children's Services Reserve - reversal of one off saving	(311)	0	0	(311)
Children's Services	2021/22	Children's Services Reserve - unrealised savings in 2022/23	1,409	(1,409)	0	0
Children's Services	2022/23	Share of 1% workforce savings target	560			560
Total Children's Services			**408**	**(1,309)**	**100**	**(801)**
Corporate Core:						
Legal Services	2021/22	Increased income and other budget reductions	25	0	0	25
ICT	2021/22	Savings on system running costs, licensing and telephony	300	0	0	300
HR/OD	2021/22	Staff Reduction	237	0	0	237
Operational Property	2021/22	Reduce office costs through rationalisation of buildings	591	304	(905)	(10)

CEX	2022/23	Registrars and Coroners - increased income from ceremonies	50	0	0	50
CEX	2022/23	Legal services increased fee income for works undertaken.	49	0	0	49
CEX	2022/23	Executive - Reduction in supplies and services budget from new ways of working	25	0	0	25
Corporate Services	2022/23	Capital Programmes - increased fee income and increased efficiencies from shared management arrangements with Northwards.	230	0	0	230
Corporate Services	2022/23	A reduction in supplies and services, printing, and mobile telephony costs through new ways of working	200	0	0	200
Corporate Services	2022/23	1% increase in vacancy factor across Corporate Services to reflect actual levels of staff turnover.	463	0	0	463
Corporate Core	2022/23	Share of 1% workforce savings target	484	0	0	484
Total Corporate Core			**2,654**	**304**	**(905)**	**2,053**
Neighbourhoods:						
Compliance	2021/22	Saving reversed after time limited use of external grant funding	(137)			(137)
Parks, Leisure, Youth and Events	2021/22	Prioritise £12m capital investment to generate income streams	100	100	100	300
Parks, Leisure, Youth and Events	2021/22	Develop a strategy for Leisure collaborations	155	0	0	155
Operations and Commissioning	2021/22	Piccadilly Gardens community scheme	225	0	0	225
Highways	2021/22	Reduction in claims for accidents and trips due to the improvements to the roads and footways	150	0	0	150
Neighbourhoods	2022/23	Share of 1% workforce savings target	453	0	0	453
Total Neighbourhoods			**946**	**100**	**100**	**1,146**

Growth and Development :						
Investment Estate	2021/22	Establishing a new ground rental portfolio	0	300	0	300
Growth and Development	2022/23	Share of 1% workforce savings target	59	0	0	59
Total Growth and Development			**59**	**300**	**0**	**359**
Total savings all directorates			**7,837**	**2,872**	**(705)**	**10,004**
Corporate Budget	2022/23	Savings on historic pension costs and pension pre-payment	1,000	0	0	1,000
Total savings			**8,837**	**2,872**	**(705)**	**11,004**

Summary by approval year:	**2022/23 £000**	**2023/24 £000**	**2024/25 £000**	**Total**
Total approved in 2021/22	4,820	2,872	(705)	6,987
Total proposed as part of 2022/23 budget setting	4,017	0	0	4,017
Total Adults	**8,837**	**2,872**	**(705)**	**11,004**

In addition to the £4.017m savings included above the 2022/23 proposals reported to Executive 17 November 2022 also included mitigations of £3.716m, bringing the total of new proposals to £7.733m.

When added to the £4.820m approved last year this brings the total savings and mitigations for 2022/23 budge year to £12.553m.

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Appendix 2 - Sales Fees and Charges

Income generation forms a significant part of the overall funding of the Council's budget and is used to support the delivery of front-line services. Local Authorities do not always have the ability to control the level of fees that can be charged, and in some cases the ability to use any income generated is restricted to specific purposes and this is often prescribed by legislation. Examples of this include Planning fees, where the fee level is set by Government, and the use of any additional planning fee income is restricted to supporting the planning function.

The tables below set details of the sales, fees, and charges 2022/23 budgets broken down by service area.

The overall Council 2021/22 income budgets are £112m, and the forecast is £107m and the main variance is due to the impacts of Covid-19, particularly in respect of markets and car parks. The extended lockdown at the start of the year and Omicron restrictions until January have resulted in a slower than budgeted recovery.

In addition, a number of budget provisions were made as part of the 2021/22 budget process to temporarily reduce some of the income targets due to lower demand, as restrictions are eased further it is expected that income will start to recover, and these reductions are being reversed as part of the 2022/23 budget process. The table below sets out the directorate breakdown with further information provided in subsequent tables.

Service Area	2021/22 Budget £000's	2021/22 Forecast £000's	Proposed 2022/23 Budgets £000's
Neighbourhood Services	49,334	45,579	51,829
Growth & Development	30,758	31,365	30,927
Corporate Core	31,642	30,246	30,502
Total	**111,734**	**107,190**	**113,258**

Neighbourhood Services

Service Area	2021/22 Budget £000's	Approved Budget Adjustments £000's	Other Adjustments £000's	Proposed Price Increases £000's	Proposed 2022/23 Budget £000's	Comments
Advertising	3,538	225	700	-	4,463	Contractual arrangements apply, no discretion to apply annual uplift.
Grounds Maintenance	127	-	-	3	130	Proposed 2.5% inflationary uplift to external customers.
Waste	360	-	(256)	3	107	£256k adjustment to transfer external income to internal income following the insourcing of Northwards Homes. The inflationary uplift is 2.5%.
Parks & Open Spaces	1,615	100	-	-	1,715	£100k approved savings as part of 2021/22 budget. No additional prices inflation is proposed above the agreed increase in the income target.
Leisure & Sport Development	8,250	143	(293)	-	8,100	£143k one off covid funding and realign internal/external income £93k, and reduced income whilst . Majority of income is stadium rent, and hire of facilities
Libraries, Galleries & Culture	704	51	(110)	-	645	Removal of book fines budgets and CD/DVD Hire.
Neighbourhood Teams	192	-	-	-	192	Estate service charge will require to cover costs.
Compliance	1,839	127	-	-	1,966	Reversal of £127k one off Covid support due to reduced income because of reduced footfall.
Pest Control	601	14	-	5	620	2.5% increase in Pest Control fees for domestic treatments.

Manchester Markets	10,288	717	-	193	11,198	Due to the ongoing difficulties in attracting new tenants, there is no increase on the rents proposed in the Retail Markets, although service charge will increase to offset increased costs.
Catering	2,154	172	(2,326)	-	0	Removed income budgets, as service ceased August 2021.
Fleet Services	1,239	-	(123)	-	1,116	Transfer of Northwards income to internal charges. Income mainly relates to fuel charges/vehicle hire and reflects usage.
Bereavement Services	3,347	-	-	263	3,610	3.9% increase on all fees except for Public Burials and Direct / Simplicity Increased income is needed to fund pay/price inflation incurred by the service, including materials, energy and pay increases.
Off Street Parking	11,962	2,836	-	-	14,798	Removed one off COVID adjustment, not able to apply inflationary increase has charges require Traffic Regulation Order.
Highways	3,106	-	-	51	3,157	2.5% increase on permit fees, used to fund cost increases incurred by the service
CCTV	12	-	-	-	12	3rd party SLA income.
Grand Total	**49,334**	**4,385**	**(2,408)**	**518**	**51,829**	

Growth and Development

Whilst Growth and Development has a budget of c£31m for sales, fees, and charges there is very little of the budget can be subject to inflationary increases, and the table below sets out proposed 2022/23 sales, fees, and charges budgets for Growth & Development

Service Area	2021/22 Budget £000's	Approved Budget Adjustments £000's	Other Adjustments £000's	Proposed Price Increases £000's	Proposed 2022/23 Budget £000's	Comments
Investment Estate	20,734	149	-	-	20,883	£149k one off COVID adjustment, income subject to lease arrangements.
Strategic Housing	1,335	(230)	-	-	1,105	Reduced HIF income
MAES (Manchester Adult Education Service)	18	-	-	-	18	Small amount of external income, the service is predominantly grant funded
Planning	2,751		-	-	2,751	Remove one off COVID adjustment – Fees set nationally
Building Control	1,017	-	-	-	1,017	Building control fees, statutory/non statutory function.
Land Charges	274	-	-	-	274	Land registry search fees
Premises Licensing	1,037	-	-	-	1,037	Operate on a 3-year fee cycle to breakeven.
Taxi Licensing	2,670	-	-	-	2,670	Operate on a 3-year fee cycle to breakeven
MCDA (Manchester Creative Digital Assets)	922	250	-	-	1,172	Remove one off COVID adjustment. Income is largely letting income subject to lease arrangements.
Grand Total	**30,758**	**169**	**-**	**-**	**30,927**	

Corporate Core

Service Area	2021/22 Budget £000's	Approved Budget Adjustments £000's	Other Adjustments £000's	Proposed Price Increases £000's	Proposed 2022/23 Budget £000's	Comments
CEX Corporate Items	40	-	-	-	40	Misc. income
Human Resources	441	-	(78)	-	363	Payroll fees, reduced to offset loss of school income due to academisation
Legal	5,997	-	(400)	-	5,597	Adjusted external income to reflect Northwards insource
Communications	1,281		(112)		1,169	Reduced volume of activity following COVID
Registrars	1,343	-	50	-	1,393	Increased to mitigate pressures, additional income will come from increased activity/volume levels.
Policy	116	-	(100)	-	16	Reduced activity included as part of Core Proposals
Revenue & Benefits	3,242	-	(500)	-	2,742	Reduced court summons – included as part of Core budget
Finance	309	-	-	-	309	Fee income for support to residents.
Procurement	59	-	-	-	59	Fees for energy management support.
Internal Audit	90	-	-	-	90	Fee income.
Commercial Governance	101	-	-	-	101	Professional Co Secretary support costs to 3rd party organisations
Capital Programmes	260	-	-	-	260	Fee's being reviewed
Decriminalised Parking	11,753	-	-	-	11,753	On street parking, requires change to Traffic Regulation Order – Ringfenced for specific use
Bus Lane Enforcement	6,610	-	-	-	6,610	Ringfenced budget, PCN's set by statute.
Grand Total	**31,642**	**-**	**(1,140)**	**-**	**30,502**	

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Appendix 3

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:
6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9

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. STAGE 1 - THE COUNCIL TAX REQUIREMENT

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. THE LEVEL OF THE COUNCIL TAX REQUIREMENT

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 -

$$R \div T$$

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 -

$$N \div D$$

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 <u>vote</u> 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 4: Reserve Schedule

Reserve	Forecast Closing Balance 31/03/22	Withdrawal	Addition	Closing Balance 31/03/23	Withdrawal	Addition	Closing Balance 31/03/24	Withdrawal	Addition	Closing Balance 31/03/25	Purpose
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	
Schools Reserve	**14,559**	0	0	**14,559**	0	0	**14,559**	0	0	**14,559**	
General Fund Reserves											
Statutory Reserves	**17,544**	(9,380)	10,395	**18,559**	(8,689)	10,395	**20,265**	(8,689)	10,395	**21,971**	
Earmarked Reserves	**411,552**	(202,342)	50,238	**259,448**	(102,384)	13,334	**170,398**	(44,398)	8,337	**134,337**	
General Fund Reserve	**27,973**	(2,970)	0	**25,003**	0	0	**25,003**	0	0	**25,003**	
Total General Fund	**457,069**	**(214,692)**	**60,633**	**303,010**	**(111,073)**	**23,729**	**215,666**	**(53,087)**	**18,732**	**181,311**	
Housing Revenue Account Reserves:											
Housing Revenue Account General Reserve	**58,090**	(15,690)	1,502	**43,902**	3,176	(981)	**46,097**	(1,270)	0	**44,827**	
Major Repairs Reserve	**3,634**	0	0	**3,634**	0	0	**3,634**	0	0	**3,634**	
HRA PFI reserve	**10,000**	0	0	**10,000**	0	0	**10,000**	0	0	**10,000**	

Reserve	Forecast Closing Balance 31/03/22	Withdrawal	Addition	Closing Balance 31/03/23	Withdrawal	Addition	Closing Balance 31/03/24	Withdrawal	Addition	Closing Balance 31/03/25	Purpose
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	
HRA Residual liabilities fund	**24,000**	0	0	**24,000**	0	0	**24,000**	0	0	**24,000**	
Housing Insurance reserve	**2,319**	0	200	**2,519**	0	200	**2,719**	0	200	**2,919**	
Total HRA	**98,043**	**(15,690)**	**1,702**	**84,055**	**3,176**	**(781)**	**86,450**	**(1,270)**	**200**	**85,380**	
TOTAL RESERVES	**569,671**	**(230,382)**	**62,335**	**401,624**	**(107,897)**	**22,948**	**316,675**	**(54,357)**	**18,932**	**281,250**	
SCHOOLS RESERVE											
LMS Reserve	**14,559**	0	0	**14,559**	0	0	**14,559**	0	0	**14,559**	School balances assumed year-end position. These are not MCC resource and so cannot be used by MCC. There are no further known schools planning to transfer to academy status
Sub Total Schools	**14,559**	**0**	**0**	**14,559**	**0**	**0**	**14,559**	**0**	**0**	**14,559**	

Reserve	Forecast Closing Balance 31/03/22	Withdrawal	Addition	Closing Balance 31/03/23	Withdrawal	Addition	Closing Balance 31/03/24	Withdrawal	Addition	Closing Balance 31/03/25	Purpose
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
STATUTORY RESERVES											
Bus Lane Enforcement Reserve	**8,807**	(4,992)	4,645	**8,460**	(4,992)	4,645	**8,113**	(4,992)	4,645	**7,766**	Ring-fenced reserve which can only be applied to specific transport and highways related activity.
On Street Parking	**3,433**	(4,191)	5,650	**4,892**	(3,500)	5,650	**7,042**	(3,500)	5,650	**9,192**	Ring-fenced reserve which can only be applied to specific transport and highways related activity.
Ancoats Square Reserve	**2,649**	(118)	0	**2,531**	(118)	0	**2,413**	(118)	0	**2,295**	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	**643**	(9)	0	**634**	(9)	0	**625**	(9)	0	**616**	Funds received as part of an

Reserve	Forecast Closing Balance 31/03/22	Withdrawal	Addition	Closing Balance 31/03/23	Withdrawal	Addition	Closing Balance 31/03/24	Withdrawal	Addition	Closing Balance 31/03/25	Purpose
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	
											agreement to cover maintenance costs.
New Smithfield Market	**440**	0	0	**440**	0	0	**440**	0	0	**440**	To contribute towards funding the development plans for the market
Great Northern Square Maintenance Fund	**249**	(20)	0	**229**	(20)	0	**209**	(20)	0	**189**	Set up in accordance with the agreement with the developers of the site. It will be used for upgrading of the square.
Education Endowments	**17**	0	0	**17**	0	0	**17**	0	0	**17**	For future payments for school prizes
Landlord Licensing Reserve	**0**	0	100	**100**	0	100	**200**	0	100	**300**	Smoothing reserve
Art Fund Reserve	**31**	0	0	**31**	0	0	**31**	0	0	**31**	For art purchases
Manchester Safeguarding	**96**	0	0	**96**	0	0	**96**	0	0	**96**	Children's Safeguarding Board activity. The Board is a

Reserve	Forecast Closing Balance 31/03/22	Withdrawal	Addition	Closing Balance 31/03/23	Withdrawal	Addition	Closing Balance 31/03/24	Withdrawal	Addition	Closing Balance 31/03/25	Purpose
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	
											joint responsibility with MCC & CCG
Hulme High Street	**283**	0	0	**283**	0	0	**283**	0	0	**283**	
St Johns Gardens Contingency	**896**	(50)	0	**846**	(50)	0	**796**	(50)	0	**746**	Contribution from St Johns Gardens tenants for maintenance works
Sub Total Statutory	**17,544**	**(9,380)**	**10,395**	**18,559**	**(8,689)**	**10,395**	**20,265**	**(8,689)**	**10,395**	**21,971**	
EARMARKED RESERVES											
BALANCES HELD FOR PFI'S											
Street Lighting PFI	**210**	(210)	0	**0**	0	0	**0**	0	0	**0**	Established to fund the requirements over 25 years of the PFI contract for Street Lighting services via external contractors

Reserve	**Forecast Closing Balance 31/03/22**	**Withdrawal**	**Addition**	**Closing Balance 31/03/23**	**Withdrawal**	**Addition**	**Closing Balance 31/03/24**	**Withdrawal**	**Addition**	**Closing Balance 31/03/25**	**Purpose**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	
Temple PFI	**485**	(94)	11	**402**	(104)	11	**309**	(141)	11	**179**	Established to fund the requirements of the PFI scheme over 25 years
Wright Robinson PFI Reserve	**1,476**	(64)	41	**1,453**	(87)	41	**1,407**	(110)	42	**1,339**	PFI Scheme 25 year contract drawdown will be in future years as expenditure exceeds grant.
Total held for PFI's	**2,171**	**(368)**	**52**	**1,855**	**(191)**	**52**	**1,716**	**(251)**	**53**	**1,518**	
RESERVES HELD TO SMOOTH RISK / ASSURANCE											
Risks											
Planning Reserve	**3,363**	(429)	0	**2,934**	(480)	0	**2,454**	(484)	0	**1,970**	Used to smooth the volatility of planning fee income to avoid budget pressures if fee income drops
Adult Social Care	**14,649**	(9,834)	0	**4,815**	(4,815)	0	**(0)**	0	0	**(0)**	To support Adult and Social Care

Reserve	Forecast Closing Balance 31/03/22	Withdrawal	Addition	Closing Balance 31/03/23	Withdrawal	Addition	Closing Balance 31/03/24	Withdrawal	Addition	Closing Balance 31/03/25	Purpose
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
											Improvement Plan
Social Care Reserve	**2,095**	(2,095)	0	**0**	0	0	**0**	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	**293**	0	0	**293**	0	0	**293**	0	0	**293**	To fund the Anti Social Behaviour Team
Budget smoothing reserve	**15,071**	0	8,000	**23,071**	(15,590)	0	**7,481**	(7,481)	0	**(0)**	Planned use to smooth the impact of previous funding reductions on the revenue budget
Transformation Reserve	**8,880**	(333)	0	**8,547**	(335)	0	**8,212**	(1)	0	**8,211**	To support costs of future service change.
Airport Dividend reserve	**39,040**	(24,851)	0	**14,189**	(4,792)	0	**9,397**	(4,918)	0	**4,479**	The income in the reserve is from the

Reserve	Forecast Closing Balance 31/03/22	Withdrawal	Addition	Closing Balance 31/03/23	Withdrawal	Addition	Closing Balance 31/03/24	Withdrawal	Addition	Closing Balance 31/03/25	Purpose
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
											Manchester airport dividend which is then used a year in arrears to support the Medium Term Financial Plan
Land Charges Fees Reserve	**267**	(50)	0	**217**	(50)	0	**167**	(50)	0	**117**	To smooth the budget impact, planned to utilise in 2020/21
Inspirit Pension Reserve	**22**	0	5	**27**	0	5	**32**	0	5	**37**	Relates to potential pension liabilities
Insurance Fund	**17,564**	(500)	0	**17,064**	(3,500)	0	**13,564**	(500)	0	**13,064**	The insurance fund has been established to fund risks that are self insured.
Fleet Maintenance Reserve	**47**	0	20	**67**	(92)	25	**0**	(25)	25	**0**	Reserve created for smoothing the impact of vehicle repair and maintenance costs.

Reserve	Forecast Closing Balance 31/03/22	Withdrawal	Addition	Closing Balance 31/03/23	Withdrawal	Addition	Closing Balance 31/03/24	Withdrawal	Addition	Closing Balance 31/03/25	Purpose
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
Taxi Licensing Reserve	**366**	0	0	**366**	0	0	**366**	0	0	**366**	This is a smoothing reserve to equalise the income and expenditure of running the function over financial years. Income ring-fenced by statute.
Newton Heath Market Reserve	**22**	0	0	**22**	0	0	**22**	0	0	**22**	To fund the future market provision
Rogue Landlord reserve	**0**	0	0	**0**	0	0	**0**	0	0	**0**	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

Reserve	Forecast Closing Balance 31/03/22	Withdrawal	Addition	Closing Balance 31/03/23	Withdrawal	Addition	Closing Balance 31/03/24	Withdrawal	Addition	Closing Balance 31/03/25	Purpose
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	
											compliance with statutory regulations and standards.
Selective Licensing reserve	**0**	0	4	**4**	0	117	**121**	0	548	**669**	Costs for administering the reputable landlord initiative and ensure compliance
Investment Estate smoothing reserve	**897**	(816)	0	**81**	(533)	0	**(452)**	0	0	**(452)**	To manage budget pressures due to the volatility in investment income.
Homelessness Reserve	**1,500**	(1,500)	0	**0**	0	0	**0**	0	0	**0**	To offset potential increases in need / demand
Emergency Planning	**100**	(100)	0	**0**	0	0	**0**	0	0	**0**	Linked to GM wide Civil Contingencies schemes
Business Rates Reserve	**136,211**	(117,409)	16,638	**35,440**	(27,320)	0	**8,120**	(490)	0	**7,630**	To mitigate Business Rates income risk due to the volatility of assumptions

Reserve	Forecast Closing Balance 31/03/22	Withdrawal	Addition	Closing Balance 31/03/23	Withdrawal	Addition	Closing Balance 31/03/24	Withdrawal	Addition	Closing Balance 31/03/25	Purpose
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	
Cleopatra Reserve	**663**	0	0	**663**	0	0	**663**	0	0	**663**	To mitigate against the risk of additional claims
TOTAL Risk/Smooth	**241,049**	**(157,917)**	**24,667**	**107,799**	**(57,507)**	**147**	**50,439**	**(13,949)**	**578**	**37,068**	
RESERVES HELD TO FUND CAPITAL SCHEMES AND OTHER SPECIFIC PROJECT RELATED COSTS											
Investment Reserve	**10,876**	(1,463)	0	**9,413**	(1,876)	0	**7,537**	(1,504)	0	**6,033**	To deliver priority regeneration projects.
Enterprise zone reserve	**2,238**	(1,061)	1,500	**2,677**	(1,061)	1,500	**3,116**	(668)	1,500	**3,948**	To underwrite the borrowing costs for development in the Oxford Road Corridor
Capital Fund Reserve	**70,575**	(20,000)	18,747	**69,322**	(29,886)	6,397	**45,833**	(20,000)	968	**26,801**	Contribution to schemes which are supporting employment and growth, future

Reserve	Forecast Closing Balance 31/03/22	Withdrawal	Addition	Closing Balance 31/03/23	Withdrawal	Addition	Closing Balance 31/03/24	Withdrawal	Addition	Closing Balance 31/03/25	Purpose
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	
											carbon reduction investments and high priority strategic development opportunities in the city.
Capital Financing Reserve	**34,730**	0	0	**34,730**	0	0	**34,730**	0	0	**34,730**	To reflect increase in borrowing costs due to the Council's capital investment
Manchester International Festival	**11,100**	(1,107)	0	**9,993**	(1,154)	0	**8,839**	(1,204)	0	**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.
Eastlands Reserve	**954**	(5,118)	5,118	**954**	(4,389)	5,118	**1,683**	(2,550)	5,118	**4,251**	This reserve reflects the contribution from Manchester City

Reserve	Forecast Closing Balance 31/03/22	Withdrawal	Addition	Closing Balance 31/03/23	Withdrawal	Addition	Closing Balance 31/03/24	Withdrawal	Addition	Closing Balance 31/03/25	Purpose
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	
											Football Club and will be used for various projects including English Institute of Sport.
Total to fund capital scheme and other specific relates costs	**130,473**	**(28,749)**	**25,365**	**127,089**	**(38,366)**	**13,015**	**101,738**	**(25,926)**	**7,586**	**83,398**	
RESERVES TO SUPPORT GROWTH AND REFORM											
Integration Reserve	**9,295**	(9,295)	0	**0**	0	0	**0**	0	0	**0**	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

Reserve	Forecast Closing Balance 31/03/22	Withdrawal	Addition	Closing Balance 31/03/23	Withdrawal	Addition	Closing Balance 31/03/24	Withdrawal	Addition	Closing Balance 31/03/25	Purpose
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
											the Locality Plan.
Town Hall Reserve	**10,013**	(2,330)	0	**7,683**	(3,699)	0	**3,984**	(3,984)	0	**0**	To fund commitments for the Town Hall Complex Programme
Supporting Families Reserve	**1,427**	0	0	**1,427**	0	0	**1,427**	0	0	**1,427**	This was set up to support the scaling up on the community budgets work and to manage risk of Troubled Families grant ending.
Clean City	**251**	(221)	0	**30**	(30)	0	**0**	0	0	**0**	To support clean and green initiatives including litter bin installations, park clean ups, knotweed and hogweed clearances and other waste and recycling activities.

Reserve	Forecast Closing Balance 31/03/22	Withdrawal	Addition	Closing Balance 31/03/23	Withdrawal	Addition	Closing Balance 31/03/24	Withdrawal	Addition	Closing Balance 31/03/25	Purpose
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
Our Manchester reserve	**1,403**	(1,403)	0	**0**	0	0	**0**	0	0	**0**	Additional investment made available as part of the 2017-2020 budget process to drive forward the delivery of Our Manchester initiatives
TOTAL	**22,389**	**(13,249)**	**0**	**9,140**	**(3,729)**	**0**	**5,411**	**(3,984)**	**0**	**1,427**	
GRANTS USED OVER ONE YEAR											
English Partnership (Homes and Communities Agency)	**734**	0	0	**734**	0	0	**734**	0	0	**734**	HCA approval required to Fund Development appraisal and Eastland's Project team
Children's Services Reserve	**2,396**	(713)	0	**1,683**	(87)	0	**1,596**	0	0	**1,596**	Various Children's grants being used over more than one year
Other Grants and Contributions - Neighbourhood Services	**506**	0	0	**506**	0	0	**506**	0	0	**506**	Various local Environment scheme and initiatives i.e.

Reserve	Forecast Closing Balance 31/03/22	Withdrawal	Addition	Closing Balance 31/03/23	Withdrawal	Addition	Closing Balance 31/03/24	Withdrawal	Addition	Closing Balance 31/03/25	Purpose
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
											'clean up campaigns'
Other Grants and Contributions- Growth and Development	**90**	0	0	**90**	0	0	**90**	0	0	**90**	Unspent grants received in previous year
Fraud Fund	**136**	(68)	0	**68**	(68)	0	**0**	0	0	**0**	Unspent grant received in previous year
Deprivation of Liberty Grant	**149**	0	0	**149**	0	0	**149**	0	0	**149**	Unspent grant received in previous year
Asylum Seekers	**263**	(100)	0	**163**	(92)	0	**71**	0	0	**71**	This will fund the Local Authority Asylum Support Officer (LAASLO) project.
Collection Initiatives Reserve	**3,569**	(342)	0	**3,227**	(1,129)	0	**2,098**	0	0	**2,098**	Small reserves on Corporate Core
MAES Reserve	**776**	(250)	0	**526**	(449)	0	**77**	0	0	**77**	To fund Manchester Adult Education Services (MAES)

Reserve	Forecast Closing Balance 31/03/22	Withdrawal	Addition	Closing Balance 31/03/23	Withdrawal	Addition	Closing Balance 31/03/24	Withdrawal	Addition	Closing Balance 31/03/25	Purpose
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	
Flood management reserve	**37**	0	0	**37**	0	0	**37**	0	0	**37**	Unspent grant received in previous year
DFT004 DFT Grants Reserve	**90**	0	0	**90**	0	0	**90**	0	0	**90**	Unspent grant received in previous year
Brexit Reserve	**621**	(20)	34	**635**	0	0	**635**	0	0	**635**	To fund BREXIT related costs that fall across more than one year
TOTAL	**9,367**	**(1,493)**	**34**	**7,908**	**(1,825)**	**0**	**6,083**	**0**	**0**	**6,083**	
SMALL SPECIFIC RESERVES											
SMALL SPECIFIC RESERVES	**33**	(5)	0	**28**	(5)	0	**23**	(5)	0	**18**	General reserve/ GM contributions. At the end of the year any surplus/deficit is adjusted in the reserve
Carbon Reduction Reserve	**225**	(225)	0	**0**	0	0	**0**	0	0	**0**	To fund revenue initiatives which support the target for Manchester to become a zero carbon city by

Reserve	Forecast Closing Balance 31/03/22	Withdrawal	Addition	Closing Balance 31/03/23	Withdrawal	Addition	Closing Balance 31/03/24	Withdrawal	Addition	Closing Balance 31/03/25	Purpose
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	
											2038 at the latest and specifically, to support the delivery of the Council's 2020-25 Action Plan
Highways Commuted Sum	**3,494**	(89)	0	**3,405**	(89)	0	**3,316**	(89)	0	**3,227**	Funds received by the Highways Authority from developers, which is then used to main the roads, footways, public realm etc that has been constructed. The sums cover up to 25 year period
Cemeteries Replacement	**561**	0	80	**641**	(481)	80	**240**	0	80	**320**	To purchase land for burials
Councils with ALMOs Group (CWAG) Reserve	**78**	0	0	**78**	(10)	0	**68**	(10)	0	**58**	Held in relation to the running costs of the Council with ALMOs Group which is administered by MCC

Reserve	Forecast Closing Balance 31/03/22	Withdrawal	Addition	Closing Balance 31/03/23	Withdrawal	Addition	Closing Balance 31/03/24	Withdrawal	Addition	Closing Balance 31/03/25	Purpose
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
Graves and Memorials	**97**	0	0	**97**	0	0	**97**	0	0	**97**	Money held in trust for repair and development costs for gravestones
Trading Standards Reserve	**129**	(108)		**21**			**21**			**21**	Specific grants such as Tobacco control, control of migration etc.
Housing Compliance Reserve (Fixed Penalty Notices)	**568**	(139)	0	**429**	(141)	0	**288**	(144)	0	**144**	Revenue collected from enforcement activity is ring-fenced to functions related to Housing Compliance.
Community Safety Reserve	**565**	0	0	**565**	0	0	**565**	0	0	**565**	A collection of grants the majority of which require spending plans to be agreed with key partner organisations such as GM Police.

Reserve	Forecast Closing Balance 31/03/22	Withdrawal	Addition	Closing Balance 31/03/23	Withdrawal	Addition	Closing Balance 31/03/24	Withdrawal	Addition	Closing Balance 31/03/25	Purpose
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
Litter Reserve (Fixed Penalty Notices)	**72**	0	0	**72**	0	0	**72**	0	0	**72**	
Great Ancoats Management Improvement Reserve	**208**	0	0	**208**		0	**208**			**208**	Specific reserve for use within defined areas within Great Ancoats. Spending plans still under discussion.
Social Value Fund	**44**	0	40	**84**	(40)	40	**84**	(40)	40	**84**	New Reserves for Social Funding income from successful tenders
Other Small Specific reserves	**28**	0	0	**28**	0	0	**28**	0	0	**28**	Small specific reserves
Total Small Specific Reserves	**6,102**	**(566)**	**120**	**5,656**	**(766)**	**120**	**5,010**	**(288)**	**120**	**4,842**	
TOTAL EARMARKED RESERVES	**411,552**	**(202,342)**	**50,238**	**259,448**	**(102,384)**	**13,334**	**170,398**	**(44,398)**	**8,337**	**134,337**	
Total General Fund Reserves	**471,628**	**(214,692)**	**60,633**	**317,569**	**(111,073)**	**23,729**	**230,225**	**(53,087)**	**18,732**	**195,870**	

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Manchester City Council
Report for Resolution

Report to: Executive – 16 February 2022

Subject: Medium Term Financial Strategy 2022/23 and 2024/25

Report of: Deputy Chief Executive and City Treasurer

Summary

This report sets the strategic and financial context which supports the 2022/23 Budget. The 2022/23 Budget will be a one-year budget, following the Government's decision to announce a three-year Spending Review in October 2021 followed by a one-year Local government finance settlement 2022/23 announced 7 February 2022. The proposed 2022/23 budget will continue to reflect the priorities set out in the Corporate Plan. The full detail for 2022/23 can be found in the accompanying 2022/23 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 2022/23 and Capital Strategy 2022-2024 elsewhere on the agenda in the context of the overarching framework of this report.

Wards Affected: All

Environmental Impact Assessment - the impact of the issues addressed in this report on achieving the zero-carbon target for the city
The proposed 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 2022/23.

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Background documents (available for public inspection):

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

Executive – 17 January 2022 Provisional local government finance settlement 2022/23 and budget assumptions

1. Introduction

1.1. A Medium-Term Financial Strategy report to Executive 17 February 2021 included a three-year budget forecast, indicating an annual shortfall in the region of £40m a year from 2022/23. This was based on assumptions of a flat government settlement and cost pressures including inflationary increases and demography.

1.2. As reported to Executive 17 January 2022 the settlement was at the positive end of expectations. It provided additional unringfenced funding, increased Social Care Grant and additional one-off resources through the continuation of New Homes Bonus. The additional funding announced, alongside the proposed savings and mitigations of £7.7m previously proposed will enable a balanced budget to be delivered in 2022/23.

1.3. The Medium-Term Financial Plan and Capital Strategy have been updated to reflect the 2022/23 budget position including the current and anticipated financial impacts of the COVID-19 pandemic.

1.4. 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.

1.5. 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.

1.6. The report elsewhere on the agenda 'Revenue Budget 2022/23' sets out the position in more detail. The service budget reports include the detail on the savings proposals and budget pressures.

1.7. 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, first developed in 2015 and launched in 2016 as the city's overarching 10-year vision. 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.

2.2. Over the first five years of the Strategy, Manchester made significant progress against some of its aims reported annually in the State of the City. However, significant challenges remain, and were exacerbated by COVID-19 and the wide ranging social and economic impacts. Whilst the strategic objective for Manchester to be in the top flight of world class cities by 2025 remains, it was necessary to reset the Strategy's priorities for the next five years, acknowledging but also looking beyond the COVID-19 context challenges to ensure we can still achieve our ambition for the city.

2.3. A reset process, overseen by the Our Manchester Forum, a partnership board of 40 leaders from Manchester's public, private and voluntary sectors from across the city was carried out in summer 2020. A final version of the reset *Our Manchester Strategy – Forward to 2025,* was adopted by Full Council in March 2021.

2.4. To achieve our vision, our communities expressed a desire 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

2.5. These findings were incorporated into the existing five themes of the original Our Manchester Strategy:

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

2.6. Each theme now has two priority actions (We Wills) streamlined from the original Strategy, and the crosscutting priorities of equality inclusion and sustainability.

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

3. Progress on Delivering the Our Manchester Strategy

3.1. Progress will continue to be annually reported in the State of the City report and via the Our Manchester Strategy Delivery Plan that is currently being developed.

3.2. The following section is structured in terms of the five themes of the Strategy and provides overview of thematic progress as reported in State of the City 2021 with a particular focus on the cross-cutting priorities of equality, inclusive economy and tackling poverty, and climate change

A Thriving and Sustainable City

3.3. The latest ONS population estimates suggest that Manchester has had a 31% growth in population between 2001 and 2020. Manchester's population continued to grow during 2021 to an estimated 579,600 residents, projected to reach 627,000 by 2025, but with significant uncertainties around the economic recovery. In recent years there has been a shift towards the 25–39-year-old age bracket linked to more young people staying in the city after they finish education.

3.4. 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 across the city set out in the 2019 '*Developing a More Inclusive Economy – Our Manchester Industrial Strategy' with a focus on people, place and prosperity.*

3.5. Manchester's economy was on a strong and consistent trajectory of growth prior to the pandemic. 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. COVID-19 has changed the economic landscape nationally with sectors such as finance and professional services and digital and construction proving resilient locally. There have been significant ongoing challenges to overcome in the culture, hospitality, retail and tourism sectors. For example, only 2 of 52 planned major conferences took place in Manchester in 2020.

3.6. Major developments in the city centre include NOMA, St Mary's Parsonage, St Johns and Great Jackson Street. Key successes include the Oxford Road Corridor, which continues to attract new occupants to the cluster of science and technology businesses, academics, clinicians and world-leading health institutions and will provide ongoing employment opportunities for residents.

3.7. In November 2021, it was confirmed that Manchester had successfully bid for £19.8 million Levelling Up Government funding for Culture in the City, including HomeArches – three arches at the back of HOME with artist workspaces, and Campfield – two dilapidated heritage buildings. This will provide employment opportunities in the green economy in the construction phase and in the creative industries once complete.

A Highly Skilled City

3.8. The Work and Skills Strategy is currently being refreshed to align with the Our Manchester Strategy and the ambition for a more inclusive economy for all of Manchester's residents and communities

3.9. Creating a highly skilled workforce is fundamental to creating an inclusive economy in Manchester. Supporting our residents to increase their skills helps people have the opportunity to access high quality jobs in the economy.

3.10. A more inclusive economy means employees paid at least the Real Living Wage, fair contracts for work, and investment in the city through social value. However, provisional ONS figures for 2020 show around 15% of employees working in Manchester and around 24% of employees living in Manchester were paid less than the Real Living Wage, which was £9.30 at that time. The Living Wage Foundation report that Manchester now has 95 accredited Living Wage employers headquartered in the city, including the Council. The Council is also leading work to ensure more businesses across the city commit to paying the Living Wage, and to encourage residents to look for employment that pays a living wage. As part of a pilot project with our Anchor Institutions we are aiming for Manchester to become and accredited living wage city in April 2022.

3.11. There is a direct link between low wages and low skills. The city's skills profile has transformed over the last 17 years as the economy has grown. In 2005, 24% of our residents had no qualifications, this figure was 8% in 2020 – though still too high. Conversely, in 2005, 27% of residents had a degree level qualification – by 2020 this figure was 48%, higher than the England population.

3.12. The COVID-19 pandemic severely impacted on worklessness in the city. The claimant count for Manchester residents doubled between March 2020 and April 2021 from 4.6% to 9.2% and has not significantly reduced since (the national rate increased from 3% to 6.5%).

3.13. The Manchester College and its higher education arm UCEN Manchester deliver a significant volume of post-16 technical education – over 5,200 16 to 18-year-olds, 6,000 adults and 1,300 higher-education students enrol every year. The College's vision has been supported by the LTE Group's ambitious £140million estates strategy, supported by the Council. The new estate will provide students of all ages with state-of-the-art, industry-standard facilities from which high-quality technical education can be delivered to support the city's young people and residents gain professional and technical skills needed across the city.

3.14. Improving the education and attainment of young people is key to making longer-term progress towards a more inclusive economy. When Ofsted inspections last took place in March 2020, 90% of Manchester schools and 98% of early years settings were good or better, both figures being better than the national average. Working with partners, there is a continued focus on bringing education results for Manchester children at least in line with national levels.

3.15. The Council supported most schools to remain open to vulnerable pupils and those with special educational needs during the pandemic and provided over 3,000 laptops. The Council also gifted thousands of books to schools, including a book for Year 6 children transitioning from Year 6 in 2020 and 2021. Despite remote learning and home schooling, there are likely to be attainment setbacks in future years. Manchester has launched 'Our Year 2022' to support children and young people across the city. Apprenticeships and action to tackle youth unemployment, particularly in the most deprived neighbourhoods, and for Children Leaving Care continue to be a top priority. Capital investment in schools will continue with investment in the primary and secondary estate to create new places and to provide permanent accommodation where schools are currently using temporary facilities.

3.16. Digital exclusion and digital skills are 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; highlighted with the increased need for digital activity during COVID-19. A number of projects are in place to tackle digital exclusion issues, including donation of over 1,000 digital devices with internet connections and helping over 2,000 residents to access data and wifi, and the launch of the city-wide Digital Strategy to address key skills, connectivity and infrastructure issues. The cross-sectoral Digital Inclusion Working Group, which now has more than 70 members, has been crucial in helping to deliver the Digital Inclusion Action Plan, which co-ordinates the delivery of a diverse programme of activity to drive digital inclusion across the city.

A Progressive and Equitable City

3.17. 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.

3.18. Despite the strong progress made connecting more Manchester residents to the opportunities of economic growth in recent years, COVID-19 has exacerbated existing economic, social and health inequalities in the city. This has disproportionately impacted on certain groups and the intersectionality of inequalities is a key area of focus for the city to ensure that the communities disproportionately affected by the pandemic are supported. Housing, employment (education and skills) and health will all play critical roles in this recovery.

3.19. Those disproportionately affected by the sharp increase in unemployment included young people aged 16-24, older people aged 50+ have been those from black, Asian and minority ethnic backgrounds, and people with disabilities. The Employment Partnership is focusing on tackling unemployment and skill shortages and provide immediate employment support for residents.

3.20. Poverty is a very significant issue across the city. In March 2020, an estimated 46,700 Manchester children were living in poverty, after housing costs are considered, which is an increase of 1,550 since March 2019. While the city's Family Poverty Strategy is taking some practical steps to mitigate the effects of poverty, the main drivers are national welfare reforms, and national Government decisions to make ten years of disproportionate cuts to public services and the voluntary and community sector in the city. The Family Poverty Strategy will be refreshed in 2022 to align with the *Our Manchester Strategy* and to reflect the impacts of COVID on our communities. Digital exclusion is also linked to poverty; for example, the affordability of purchasing broadband at home and data on mobile devices.

3.21. Over £380m (60%) of our budget spent on vulnerable adults, children and our homeless. Whilst the Council cannot mitigate the impact of the cuts to services, changes to welfare reforms and the current pressures on household income from inflation and fuel prices, strong emphasis is placed on protecting residents most in need. Budget provision to provide discretionary housing payment support has been protected. Specific targeted support includes:

- Council Tax Support Scheme (reductions to council tax for vulnerable households) - £36m
- No recourse to public funds support - £991k
- Carers hardship fund - £100k
- Welfare payments to families – up to £260 per family – 2,000 families referred
- Discretionary Council Tax support - £220k
- Discretionary Housing Payments - £3m (£1m MCC top up)
- Skills and Training support - £8.6m
- Neighbourhood Investment Fund - £640k

3.22. The 2022/23 budget includes additional ongoing investment of £700k to provide additional targeted support to residents. For 2022/23 this, along with funding carried forward from 2021/22, will be used to continue the free school meals programme over the Easter break as government funding for this has now ended.

3.23. 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. Although there is still a high number of Looked After Children in the city, those numbers have been relatively stable in the last two years. There continue to be poor outcomes for many Looked After Children, despite improvements in the offer for Care Leavers.

3.24. Economic improvements have not been matched by similar improvements in health outcomes. Rates of premature death from cancer, heart and lung diseases remain amongst the highest in the country. Life expectancy rates in Manchester have fallen for both men (3.1 years) and women (1.9 years) more rapidly than national rates (1.3 years) in 2020. Tackling inequalities is a key theme of the Our Manchester Strategy, the Council's Corporate Plan, the Locality Plan for health and social care and he Manchester Population Health Plan[1].

3.25. 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. The Manchester Local Care Organisation joins up the care that Mancunians get to help keep them out of hospital, taking a strength-based approach to help them live independently. The introduction of Integrated Neighbourhood Teams is also transforming how residents experience their community-based health and adult social care.

3.26. The Marmot report 'Build Back Fairer in Greater Manchester: Heath Equity and Dignified Lives' was published in 2021 highlights how levels of social, environmental and economic inequalities in society are damaging health and wellbeing. It explores how these inequalities have been exposed and magnified by the COVID-19 pandemic and its impacts. An action plan is being developed to make progress in the key areas to address inequalities in Manchester: communities and places; housing; transport and the environment; early years, education and young people; income; poverty and debt; work and unemployment and public health.

3.27. The number of households experiencing homelessness in Manchester has remained high during the past year, and there remain significant pressures on services that are working to prevent and tackle homelessness in the city. The number of households in temporary accommodation has increased significantly, from 406 at the end of March 2015 to 2,546 at the end of March 2021, and 2020/21 saw 9,608 people present as homeless. Demand for the service continues to be fuelled by loss of accommodation in the private-rented sector and increasing difficulties in finding affordable housing. In 2020/21, the Housing Solutions Service successfully prevented 789 individuals and families from becoming homeless through a variety of interventions.

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

3.28. During 2020/21, the range of responses to tackle rough sleeping in the city was increased, and included the Housing First service accommodating 88 people in new homes with intensive wrap-around support, the Rough Sleeper Initiative relieving 710 people and preventing a further 439 people from rough sleeping, 512 cold weather placements provided the opportunity to be linked into long-term accommodation and support pathways, and over 420 people accommodated through the A Bed Every Night initiative.

A Liveable and Zero Carbon City

3.29. 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.

3.30. Despite the challenges presented by the pandemic, 4,260 new homes were completed in 2020/21, including 446 affordable homes. Demand for housing from the most vulnerable in the city has not diminished following the crisis; if anything, demands from our most vulnerable residents have become even more acute, with the numbers of people on the housing register and in temporary accommodation continuing to grow. There are significant growth areas in progress including Victoria North and the Eastern Gateway. 'This City' is developing a pioneering accessible-rent product that will be affordable to some of our lowest-income residents.

3.31. Volunteers and voluntary-sector organisations became more important than ever during the pandemic. The Council has worked in partnership with MHCC, One Manchester and Young Manchester to invest over £1million in a COVID-19 Recovery Fund. The Fund is aimed at enabling voluntary-sector organisations to work together to strengthen their support for Manchester residents including for mental health and wellbeing and to victims of domestic violence and abuse.

3.32. The Council has adopted a science-based carbon budget for Manchester of 15 million tonnes of CO_2 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 CO_2 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.

3.33. 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. The Plan builds on over a decade of previous activity which has seen the Council's direct CO_2 emissions reduce by 54.7% between 2009/10 and 2019/20. During 2020/21, the first year of the Plan, the Council's direct CO_2 emissions fell by 21% compared to the previous year, keeping the Council within its allocated carbon budget. Reducing city wide carbon emissions across the city has been more challenging and will be set out in the forthcoming framework review by Manchester Climate Change Agency. More detail on the projects and initiatives that have been delivered to progress our zero-carbon ambitions can be found in the progress reports published on the Council's website.

3.34. The reports on the Environment and Climate Change Scrutiny Committee February agenda set out the priorities for the Council's Action Plan for 2022/23 with the underpinning investment strategy. This identifies over £61m capital investment to 2024/25 and £4m revenue investment into this work. The 2022/23 budget includes recommended investment of an additional £800k a year to ensure that the priorities in the plan can be delivered.

A connected city

3.35. An integrated, attractive and affordable transport network is needed to enable residents to access jobs and stay healthy through active travel. Owing to the pandemic, there was an 18% decrease in journeys into the city centre across all modes between 2019 and 2020 and a significant impact on the volume of patronage on public transport and highways usage. In early 2021, a refreshed Greater Manchester Transport Strategy 2040 was adopted, along with a five-year delivery plan of infrastructure priorities and a refreshed City Centre Transport Strategy, which prioritises walking as the main way of moving around the city centre and a shift to more sustainable transport.

3.36. During 2020, Manchester temporarily met the national legal limits for all its air pollutants due to decreased traffic volumes during the pandemic. The measures proposed in the Greater Manchester Clean Air Plan, including encouraging users to switch to less polluting vehicles, will secure permanent compliance and ensure that everyone in Manchester can breathe cleaner air and enjoy pollution-free neighbourhoods.

3.37. Manchester Airport is a key asset for the future growth of the city and the wider Greater Manchester, North West region and beyond. The pandemic significantly reduced passenger numbers to just over 7 million during 2020, compared to 29.4million in 2019, though in recent months passenger numbers have increased significantly. The Council has supported the Airport to continue to function and work towards an effective recovery in 2021. The Airport's future growth is being supported by a £1 billion transformation programme, with the first phase of work, the extension of Terminal 2, opening in July 2021. Reducing carbon emissions associated with the airport is part of the Climate Change Action Plan 2020-25.

3.38. Social Value and Ethical Employment - Underpinning our commitment to inclusive growth and climate change is the Council's commitment to ethical employment, ethical procurement and social value.

3.39. *Ethical employment* - Manchester City Council is accredited by the Living Wage Foundation, which means that all our staff are paid at least the equivalent to the Real Living Wage and it is a requirement for our supply chain that is included in the city council's commissioning & procurement processes. The Council has an ambition for the city to become a Real Living Wage place to ensure that more of the city's businesses are Real Living Wage employers and more of our residents earn the RLW or above. A core group of anchor institutions of different sizes and representing different sectors has started this work, with a view to submitting a plan to become a Real Living Wage place to the Foundation in Spring of this year. This aligns /is supported by the GM Good Employment Charter and the recent Civic Universities Agreement signed by the 5 GM universities with GMCA.

3.40. Manchester City Council is considered to be a champion of *ethical procurement* and tailors procurement practices to ensure that contracts are awarded to suppliers that reflect the council's values whilst complying with the requirements of procurement law relating to fair, transparent and open competition.

3.41. To support this, the Council has committed to:

- The Prompt Payment Code ensuring fair payment for goods and services throughout the supply chain
- Unite's Construction Charter in order to achieve the highest standards in respect of direct employment status, health & safety, standard of work, apprenticeship training, and appropriate nationally agreed terms and conditions of employment
- The Unite Charter for Ethical Procurement Standards in the Voluntary and Community Sector.
- The Unison Ethical Care Charter
- As a Local Authority Champion for the Care Leaver Covenant and Procurement Toolkit, promoting the Care Leaver Covenant and Procurement Toolkit with all our partners and throughout our supply chain.
- Support the Armed Forces Community via the Armed Forces Community Covenant which is a public sector pledge from Government, businesses, charities and organisations to demonstrate their support for the armed forces community

3.42. The Council has reviewed and refreshed its approach to *Social Value* as a result of the effects of the pandemic. The previous commitments to priority cohorts were reviewed in 2021 and a decision was made to prioritise high impact 'Manchester First' interventions so that the response to COVID-19 ensures that offers and interventions are prioritised that will have the greatest impact on the city. At the same time, with particular reference to the council's zero carbon aims, the Council reflects this in procurements by including an explicit 10% weighting for environment. Through work within the city anchor institutions and major employers are encouraged to follow the same approach within their own supply chain

4. Corporate Plan

4.1. Our Corporate Plan priorities were 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. As the Corporate Plan sets out the long-term priorities for Manchester City Council they have not substantially changed for 2022-23, with only some minor changes.

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*	• Deliver the Council's roles in reducing citywide carbon dioxide emissions and improving air quality
	• Deliver the Manchester Climate Change Action Plan and key activities to reduce the Council's own direct CO_2 emissions by at least 50% by 2025
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*	• Deliver 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*	• All children to have access to and be fully included in high-quality education
	• 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

they attend a school graded 'good' or better	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, within our legal framework, and to support to managers and performance management
	• Carry out the work required to transform our Corporate Core.

4.3. The Single Council Business Plan 2022/23 describes in more detail the action being taken to deliver the Corporate Plan and is attached in Appendix 1. Each service will develop a bespoke service plan which describe in more detail the achievements, priorities and activities of the services which collectively make up Manchester City Council. The service plans also describes the delivery against our cross-cutting priorities of service improvement, zero –carbon, embedding impact on place, and equality, diversity and inclusion.

5. <u>Financial Context</u>

5.1. The Council's net revenue budget is funded from four 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 2022/23 follows over a decade of austerity which began with the 2011/12 Budget. From 2010/11 to 2022/23 the Council's Spending Power (as defined by government) has reduced by £87m (14.2%) compared to an England average reduction of 1.9%. The drop in spending power per head, (based on the ONS 2020 Mid-Year Estimate population data), is £159.54 per head (compared to an England average reduction of £18.86 per head).

5.3. 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.

5.4. At the national level the settlement proposals state that an additional £3.7bn of funding will be “made available“ to councils, a 4% real terms increase. Of this £1.4bn relates to Council Tax and assumes that every local authority will raise their council tax by the maximum permitted.

Impact of austerity on Council finances

5.5. The Council has had to make budget cuts of £420m from 2010/11 to 2021/22 inclusive, after taking into account the impact of 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.

Chart 1: Cumulative Savings target by year

5.6. 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 2022/23. 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 locally retained growth to date is £65.6m, made up of £16.5m in 2017/18, £14.5 in 2018/19, £13.5 in 2019/20 and £8.4m in 2020/21 with collection being significantly impacted by the pandemic. The 2021/22 benefit is forecast at £12.7m.

- **Council Tax -** The success in encouraging housing growth, particularly in the City Centre, has seen an average growth in the council tax base of 2%

to 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. Despite the challenges of the pandemic demand for housing in the city continues to be strong.

- **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 Councils 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, this is not expected to resume until after 2024/25. 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£13m per annum, the majority of this is considered secure and stable.

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

5.7. The savings approved and largely achieved in 2021/22 have left the council in a robust position for 2022/23. As stated above, at the time the 2021/22 budget was set it was forecast that the council faced a budget gap of c£40m a year from 2022/23. A balanced budget is now proposed which includes savings and mitigations of £7.7m, as outlined to Executive 17 January 2021. The improved position has arisen from improved local resources and a better than anticipated local government finance settlement for 2022/23.

5.8. Local income from Council Tax and Business Rates has proved resilient, and the government has announced funding and reliefs to support businesses which have an associated positive impact on the council's position.

5.9. The Finance Settlement contained measures which improved the budget position

- *Funding for the Manchester Local Care Organisation budget*
  - Additional funding via the Market Sustainability and Fair Cost of Care Fund (£162m nationally, £1.8m MCC)
  - Uplifting of the Better Care Fund for inflation £0.9m

- *Share of additional £1.6bn announced in the Spending Review:*

- A new one off 2022/23 Services Grant - (£822m nationally, £12.3m MCC)
- Additional Social Care Funding - (£636m nationally , MCC £8m)
- Inflation to Settlement Funding Assessment - (£73m nationally, £1.9m MCC)

- *One off Funding:*
  - Continuation of New Homes Bonus grant 2022/23 (£333m nationally, MCC £6.8m)
  - Lower Tiers services grant is set to continue for one more year (£111m nationally, MCC £1.3m)

Strategy for Delivering a Balanced Budget in 2022/23

5.10. 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.

5.11. 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, typically over 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 £539m to 2024/25. The Capital Financing Reserve will be deployed to ensure there are no additional pressures on the revenue budget as a result of this activity.
- The majority of airport dividend income has always been used 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.

5.12. The proposed approach to delivering a balanced budget in 2022/23 and place the Council on a more sustainable footing over the three-year period is as follows:

- To deliver a balanced budget for 2022/23 a report to RAGOS 9 November set out an initial gap of £4.5m, emerging pressures of £3.2m and proposed mitigations of £7.7m. The mitigations are now considered adequate to provide a balanced position. They are detailed in the budget report elsewhere on this agenda.
- In relation to the one off funding it is recognised there is a need to avoid creating additional pressures for 2023/24 when they drop out of the funding base. In line with the strategy outlined in the November budget report, it proposed to add £8.1m of one off settlement resources to the budget smoothing reserve to be applied equally to help close the budget gap in 2024/25 and 2025/26.
- The report to Executive in January 2022 set out that the funding announced for 2022/23 made available £12m to fund additional pressures and emerging risks and that, in line with the agreed approach, this would be used across a three-year period. The full detail of the suggested priorities for funding is included in the budget report elsewhere on this agenda.
- To use the balance sheet risk reserves to smooth the underlying budget position. It is planned to use the majority of the remaining airport dividend reserve in 2022/23, which has reduced the need for higher savings that year, to continue to resource the Future Shape of the Council transformation programme. This has the objectives of improving the council's longer-term resilience, providing a framework for future savings decisions, changing and modernising how we work and improving outcomes for residents.
- The further planned use of reserves to support the budget position and mitigate any future budget risks, £30m of risk based reserves have been identified for this purpose.

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

Table 1: Three year budget position

	2022 / 23 £'000	2023 / 24 £'000	2024 / 25 £'000
Resources Available			
Business Rates Related Funding	235,553	323,847	341,840
Council Tax	208,965	206,620	217,197
Grants and other External Funding	104,559	87,374	85,374
Use of Reserves	141,522	31,510	16,491
Total Resources Available	**690,599**	**649,351**	**660,902**
Resources Required			

Corporate Costs	133,076	110,229	114,867
Directorate Costs	557,523	575,904	603,582
Total Resources Required	**690,599**	**686,133**	**718,449**
Shortfall / (surplus)	**0**	**36,782**	**57,547**

*the large use of reserve figures in both 2021/22 and 2022/23 largely relate to business rates accounting. This reflects the fact that government reimbursement for business rates relief is accounted for in the year it relates to, the associated deficit in income is accounted for in the following year. The government grants are carried forward in reserve for a year to smooth the deficit.

Approval of the 2022/23 Revenue Budget

5.14. Taking into account all of the uncertainty above, the Council will be publishing a balanced one-year revenue budget for 2022/23 which is aligned to the Finance Settlement. The report to Executive 17 January 2022 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:

5.15. 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 2022/23
- Budget Reports aligned to scrutiny committee remits
- Capital Strategy and Budget
- Housing Revenue Account
- Treasury Management Strategy and Annual Investment Strategy

5.16. 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 2: Scrutiny Reports

Date	**Meeting**	**Services Included**
8 February 2022	Resources and Governance Scrutiny Committee	Chief Executives Corporate Services Revenue and Benefits / Customer and Welfare Support Business Units
8 February 2022	Communities and Equalities Scrutiny Committee	Sport, Leisure, Events Libraries Galleries and Culture Compliance and Community Safety Housing Operations including Homelessness Neighbourhood working
9 February 2022	Health Scrutiny Committee	Adult Social Care and Population Health

9 February 2022	Children and Young People Scrutiny Committee	Children and Education Services Youth and Play
10 February 2022	Environment and Climate Change Scrutiny Committee	Waste and Recycling Parks Grounds maintenance
10 February 2022	Economy Scrutiny Committee	City Centre Regeneration Strategic Development Housing and residential growth Planning, Building Control, and licensing Investment Estate Work and skills Highways

Position for 2023/24 and beyond

5.17. Considerable uncertainty remains beyond 2023/24. In particular, the fact the current Finance Settlement is for 2022/23 only, the main sources of local authority funding in business rates and council tax are volatile and there are considerable reforms planned to local authority funding.

5.18. 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 2021/22 and is increasingly volatile, reducing due to the economic situation as well as appeals and business reliefs being provided to support certain business sectors.

5.19. 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. Consultation on the long-planned reforms to Local Government Funding is expected to resume in Spring 2022. Expected changes include:

- Implementation of the ‘fair funding’ review of local authority financing. This will update the assessment of need and change the distribution of funding across Local Authorities. 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. With the total funding envelop for Local Government remaining at 2022/23 levels, despite proposals for a transition to any new formula there will inevitably be gainers and losers from the changes.
- The Business Rates Reset will revise baselines for Business Rates income. This means all growth from 2013/14 will be removed from individual Local Authorities and redistributed on a basis yet to be determined. Re-setting business rates baselines in 2023/24 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 was intended to remove the volatility of appeals from local authorities. It is not yet known if this element of the planned reform will be revived.
- Review of New Homes Bonus – A further one year extension of the scheme was announced for 2022/24. From 2023/24 the scheme could be revised or ended completely with funds added back to Settlement Funding Assessment.

5.20. Officers have estimated the scale of the gap at £37m in 2023/24 increasing to £58m by 2024/25 based on reasonable assumptions around the likely level of resources available and forecast spending requirements. This is subject to change as more information becomes available. The size of the budget gap over the medium term is significant and compounded by uncertainty around funding levels. The potential delay in the return of significant commercial income until after 2024/25 also leaves the City Council in a weaker financial position unless proactive action is taken.

5.21. The above factors, along with the large number of risks facing local government, mean early work on the 2023/24 budget is required and has been planned. This will include:

- As part of the Future shape change programme work has started on defining the financial and operational benefits that each workstream will deliver. This work will inform a programme of savings to be developed. The move to a ‘digital first’ approach within the Council will be one of the areas where further savings will be identified.
- The continued work on Public Service Reform and management of demand / prevention will be important, particularly in limiting future demand growth.
- Work to identify invest to save approaches and budget efficiencies and reduced duplication.

5.22. A programme of work will be developed around the above to enable the presentation of a balanced set of options early in the next municipal year. The work will focus on identifying options to close a total gap of c£60m over the three years to 2024/25. This is in addition to the savings already agreed as part of the 2021/22 and 2022/23 budget processes.

Reserves

5.23. The Council holds reserves and these have been built up over time. The Council uses its reserves to support the budget strategy with some reserves earmarked to smooth some of the impact of funding changes and to invest in delivery capacity. It is important that a robust position is held on reserves and these are replenished as part of the budget strategy. The forecast impact on the Council’s reserve position is set out below. This incorporates an indicative use of a further £30m in 2023/24 which is available to support the future budget position. The only unearmarked reserve is the General Fund reserve.

5.24. Earmarked reserves have reduced as the Council has sought to protect its services during the pandemic and are planned to stabilise at around £155m over the medium term.

Table 3: Summary reserves position

	Opening Balance 1 April 2021	Forecast Opening Balance 1 April 2022	Forecast Opening Balance 1 April 2023	Forecast Opening Balance 1 April 2024	Forecast Opening Balance 1 April 2025
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Ring-fenced Reserves outside the General Fund:					
HRA Reserves	117,234	98,043	84,055	86,450	85,380
School Reserves	21,479	14,559	14,559	14,559	14,559
Earmarked Reserves:					
Airport Dividend Reserve	43,953	39,040	14,189	9,397	4,479
Insurance Fund	18,064	17,564	17,064	13,564	13,064
Business Rates - COVID-19	161,959	116,645	7,036	(0)	0
Grant reserves - COVID-19	29,222	(0)	0	(0)	(0)
Statutory Reserves	17,495	17,544	18,559	20,265	21,971
Balances Held for PFI's	2,204	2,171	1,855	1,716	1,518
Reserves held to smooth risk / assurance	85,885	67,801	69,511	27,479	19,525
Reserves held to support capital schemes	149,144	130,473	127,089	101,738	83,398
Reserves held to support growth and reform	32,747	22,389	9,140	5,411	1,427
Grants and Contributions used to meet commitments over more than one year	10,834	9,367	7,908	6,083	6,083
Small Specific Reserves	6,507	6,102	5,656	5,010	4,842
Sub-Total Earmarked Reserves	**558,014**	**429,096**	**278,007**	**190,663**	**156,308**
General Fund	26,803	27,973	25,003	25,003	25,003

6. Fiduciary and Statutory Considerations

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

- it continues to meet its statutory duties
- Governance processes are robust and support effective decision making
- its Medium-Term Financial Strategy reflects the significant challenges being faced and remains responsive to the uncertainties in the economy by continuing to deliver against its savings targets
- its savings plans are clearly communicated and linked to specific policy decisions, with the impact on service provision clearly articulated

- it has the appropriate levels of reserves and that it closely monitors its liquidity to underpin its financial resilience
- it continues to provide support to members and officers responsible for managing budgets
- it prepares its annual statement of accounts in an accurate and timely manner

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

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

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

- the robustness of the estimates made for the purposes of the calculations; and
- the adequacy of the proposed financial reserves.

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

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

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

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

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

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

7.1. 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

7.2. 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.

7.3. 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	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 an independent review of demand management to develop a realistic savings and

	transformation programme and strengthened the governance in place. As evidenced throughout the years of austerity the Council has a solid record of identifying and delivering financial savings whilst maintaining focus on delivery of the councils priorities.
Increasing demand for social care, impact welfare reforms and rising homelessness is higher than budget assumptions	Additional government funding for social care, the council tax precept and other Council resources have been used to provide more funding in these areas based on a reassessment of demand. The profile of future demand has been reviewed and updated for 2022/23 including identifying and funding the estimated ongoing impact of COVID-19. The underlying data which drives these costs is closely monitored throughout the year to enable early corrective action to be taken.
Volatility of resource base including business rates and council tax	As the Council continues to be reliant on locally raised resources it is more susceptible to any downturn in the economy. A thorough review of the Collection Fund has been carried out as part of the budget setting process 2022/23 and calculations of future income are robust and evidence based. The position on all these income streams is closely reviewed bi-monthly and reported to the Senior Management Team and Executive Members. To mitigate the risk a business rates reserve has been established to help smooth income over financial years.
Delivery of a balanced budget beyond 2022/23	Longer term scenario planning has started to address the uncertainty beyond 2022/23. 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, £30m of earmarked reserves have been identified to smooth any future budget shocks.
Overspend on significant capital projects	The Capital Strategy has been developed to ensure capital expenditure and investment decisions are in line with Council priorities and take account of stewardship, value for money, prudence, risk, sustainability and affordability. There are strong governance arrangements for decision-making. 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 was carried out to provide further assurance around delivery and cost control

	which was reported back to Resources and Governance Scrutiny Committee in September 2021. The capital programme is monitored monthly, with quarterly reports to Executive. There are programme and risk management arrangements in place for individual projects. 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. The monitoring is used to support future actions, including the estimation of future costs and mitigations as necessary.

7.4. 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.

7.5. 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 very well embedded and are designed to 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.

7.6. 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 and the £30m reserves earmarked to support the future budget position. This 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.

7.7. 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

7.8. The General Fund Reserve is the only un-ring-fenced reserve and is held to meet costs arising from any unplanned event. It also acts as a financial buffer to help mitigate against financial risks and can be used to a limited degree to "smooth" expenditure across years. It is estimated that the balance on the reserve at 1 April 2022 will be £28m, of which £3m will be applied to support the 2022/23 budget giving a remaining balance of £25m. The level of the

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. However the General Fund is seen as being at the minimum level required to be held to protect the Council from the financial risks inherent within the proposed budget strategy.

7.9. The Council also has several earmarked reserves which are detailed in the 2022/23 budget report elsewhere on the agenda and summarised in Table 3 of this report. They show a 2022/23 opening balance of £117m for the HRA, £21m for Schools. The opening earmarked reserves include £191m relating to grants received to support COVID-19, largely to reimburse reduced business rates income. Excluding these the opening earmarked reserves are £367m.

7.10. The level of reserves required is robustly assessed as part of the budget setting process and monitored as part of the monthly reporting process to senior managers and members, as well as being reviewed 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 the Council is a complex organisation with a wide range of assets, interests, liabilities and other responsibilities. By their nature many of the risks are unknown and cannot be precisely quantified, particularly in the current challenging financial climate. It is therefore essential that the Council maintains an adequate level of reserves.

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

- Using the commitment to social value to ensure communities see the benefit from investments. This has included commitments from suppliers to employ staff who live locally, no use of zero hours contracts and

agreements to reduce energy consumption and carbon emissions in the City.
- Working alongside partners in the Greater Manchester Combined Authority the Council has worked hard to make the most of the opportunities to focus on local priorities through the Spatial Framework, Local Industrial Strategy, digital opportunities and in tackling homelessness.
- focused on doing things differently for example developing the population modelling toolkit, creating a more meaningful definition of affordability to support the emerging Local Plan and Housing Strategy and supporting the implementation of the Manchester Living Wage across supply chains.
- Continuing with the integration of public services to improve the offer to residents. The benefits are already being seen of the approach to integrating health and social care through improvements in the number of years men in the city can expect to live in good health.

8.3. This proposed budget and business plan 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.

8.4. 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. At the last review 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. The VFM conclusion for year ended March 2021 is yet to be concluded as the audit process has not been completed.

Financial Management Code

8.5. The Financial Management Code (FM Code) sets out the standards of financial management expected for local authorities. The Code builds on the 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 with the first full year of compliance being 2021/22.

8.6. 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.

8.7. The FM Code applies a principle-based approach. 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.

8.8. 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 7.

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. CIPFA have recently issued revised a revised Code, which local authorities must implement for the 2023/24 financial year.

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 focussed on 2022/23 to align with the central governments 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 budget report elsewhere on the agenda
- Financial and scenario planning over the next spending review period

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. Officers have satisfied themselves that the new savings and mitigations identified for 2022/23 of £7.8m are deliverable. A detailed risk rated savings tracker is monitored monthly and discussed at monthly Departmental Monitoring Meetings and Senior Management Team (SMT). Updates are also provided monthly to Executive Members. The bi-monthly Integrated Monitoring to SMT also includes an assessment of the key financial risks and mitigations, linking financial and performance data.

8.15. 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 and monitors finance and performance on a monthly basis.

8.16. Section Five requires that *'The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget'.* The priorities for the City are set out in the 'Our Manchester' Strategy, the long-term vision for the city. The underpinning principles of the budget strategy have been developed to reflect The Our Manchester ten year ambitions.

8.17. The second standard within this section is 'The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.' The Council undertakes VFM analysis which includes annual benchmarking of outcomes and unit costs against authorities with defined similar characteristics. This was paused during 2021 to enable a focus on real time reporting. Benchmarking is also carried out on various bespoke thematic pieces of analysis and reporting. The corporate Performance, Research & Intelligence (PRI) service provide bespoke analysis and support to make the best use of data to informs decision making.

8.18. 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

8.19. The Scrutiny Committee meetings on the 9-10 February 2022 will review the budget proposals within their remit. The Resources and Governance Scrutiny Committee will meet on 28 February 2022 to look at the overall budget proposals and receive comments from other scrutiny committees prior to the Budget going to Budget Council 4 March.

Equalities Duties

8.20. In considering the budget for 2022/23 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.

8.21. 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. The completion of equality analyses, to assess the implications of the business planning process for protected groups, is now a well-established approach and work has been continuing to ensure it is fully embedded and used effectively. As previously reported to this committee, the Council has a two-tiered equality analysis methodology:

- A brief Equality Relevance Assessment tool (ERA) helps services to assess whether there is any relevance to protected groups and / or the Equality Duty 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 (EqIA), to establish the nature of any impacts arising and to help inform what action can be taken to avoid a disadvantageous impact.

8.22. The standard EqIA template was amended in 2020 to streamline the process and allow for swift decision-making whilst retaining due regard for equality. The Council took the opportunity to add several characteristics to the template, in addition to those protected by the Equality Act 2010 (the Act). These additional characteristics reflect a greater breadth of inequalities than those addressed by the Act, and touch upon the provisions of Section 1 of the Act, the Socioeconomic Duty (which was not enacted). The additional characteristics are:

- Ex-armed forces personnel and their families
- Children, families and other people living in poverty
- People with continuing health conditions
- People with caring responsibilities
- Trans people, non-binary people and other consideration of gender identity (a broader definition than 'gender reassignment' as protected by the Act)
- Homeless people
- Any other group identified as relevant to the activity (must specify)

8.23. The inclusion of poverty in the budget-related assessment template is particularly useful as it is recognised that some of the characteristic groups most likely to be impacted by budget reductions / service changes are also some of those most likely to be living in poverty. The EqIA template allows for a high-level assessment of poverty impact, and where it is identified that this is a distinct issue related to their proposals, a more in-depth analysis will be undertaken using a fuller Budget Impact on Family Poverty Assessment template. This tool assesses poverty in relation to place and service, as well as focusing on key groups, including workless families, people in receipt of Housing Benefit or Universal Credit and lone parents.

8.24. The Family Poverty Strategy and been recently reviewed, as detailed in Appendix One to Manchester's support for families living in poverty, Economy Scrutiny Committee – 9 September 2021 and Executive 15 September 2021. In response to this, a new Poverty Strategy for the city will be developed in 2022 to include all households; those with and without children, and people with protected characteristics, in line with the evidence presented.

8.25. The budget setting process is also being further integrated with the Council's Corporate Plan and Business Planning process. The work that will be carried out on individual business cases will be complimented by work to consider the collective impact of the options proposed and how the overall budget changes will impact on equalities, poverty and ultimately our residents. Each Directorate will need to review how the use of their budget as a whole, not just that of budget savings/reductions, might mitigate or positively impact on equality, anti-poverty, and how social value can be maximised.

9. Conclusion

9.1. Overall, the settlement announcements were towards the positive end of expectations. It is expected that mitigations in the region of £7.7m, as previously identified, will be sufficient to balance the 2022/23 budget.

9.2. Officers have estimated the future resources available based on the information available. This results in forecast gap of £37m in 2023/24 increasing to £58m in 2024/25.

9.3. The focus will now be on identifying savings and mitigations to keep the council on a sustainable financial footing. It is proposed that budget cuts and savings of £60m over three years are developed for member consideration. £60m equates to just under 12% of 2022/23 directorate budgets. In addition, £30m of risk-based reserves have been identified as available to manage risk and timing differences

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Appendix 1 - Manchester City Council Summary Business Plan 2022/23

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.

Deliver the Council's roles in reducing citywide carbon dioxide emissions and improving air quality

- The Council will continue to drive and deliver the Manchester Climate Change Framework 2020-25 2.0, the city's high-level strategy for tackling climate change, using our city council place leadership role.
- Actively engage residents and communities in the work they can do to tackle climate change.

Prepare for and support the delivery of the Clean Air Zone from 30 May 2022

- Work with the Greater Manchester authorities supported by Transport for Greater Manchester to develop 'The Greater Manchester Clean Air Plan' to reduce harmful Nitrogen Dioxide (NO2) levels at the roadside and be compliant with statutory requirements by 2024 at the latest.
- Ensure the arrangements are clearly communicated to Manchester residents, businesses and other stakeholders.
- To work with GM Authorities and Manchester stakeholders to ensure clear proposals to support the transition to low emission vehicles, including for the pending funding round for LGV's, private hire vehicles and Hackney cabs.

Deliver the Manchester Climate Change Action Plan and key activities to reduce the Council's own direct CO2 emissions by at least 50% by 2025

Actions include:

- Progress the Large-Scale Renewable Energy Generation project for the development or purchase of a suitable solar farm and / or direct renewable energy Power Purchase Agreement (PPA).
- Deliver energy conservation and generation measures throughout our operational estate to reduce carbon emissions from our buildings.
- Plan for and facilitate the continued transition to electric vehicles within the MCC fleet, such as by working to increase the provision of electric vehicle charging infrastructure.
- Deliver an approach to housing retrofit with housing partners and progress work on plan for MCC Northwards housing stock.
- Develop an approach to sustainable infrastructure planning.
- Support the development of green skills in the city's workforce through the Work & Skills Strategy.
- Implement, promote and embed the new Staff Travel Policy across the Council.
- Deliver 10% carbon procurement weighting effectively and track results.

- Continue to raise profile and importance of climate action amongst staff and behaviour change approaches. i.e. tailored carbon literacy training, further engagement and monitoring impact of pledges.

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, deliver 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.

Deliver Manchester's Economic Recovery Plan priorities that supports:

- Key transformative regeneration schemes providing new jobs, homes and leisure opportunities for our residents, including: a new park at Mayfield; a new speculative, net zero carbon office development at NOMA and First Street; start of the Renaissance scheme on Deansgate; North Manchester General Hospital; and, a new Arena.
- Continued delivery of Enterprise City and St John's to provide new space and support for both large and small scale businesses, particularly in the digital, cultural and creative industries.
- Support the successful completion of The Factory construction project as a major cultural, creative and technological hub, which with the Academy/Factory Futures skills programmes will be a major driver for economic growth and delivering sustainable jobs and employment opportunities for residents.
- Continue to deliver of our Economic Investment & Development Plan, including: Culture in the City Levelling Up Fund project; development opportunities in the digital, cultural & creative sectors; and developing further Levelling Up schemes.
- the development and enhancement of the skills required for businesses that support pathways for residents into those jobs
- 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.
- Delivery of our strategic regeneration frameworks and key growth projects.
- Development and delivery of our levelling up priorities, including Levelling Up Fund bids, and delivery of the Culture in the City project which will provide business start-up and talent development opportunities for local people from all backgrounds.
- Implement the Our Manchester Industrial Strategy and Powering Economic Recovery and Investment plan.
- 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
- Develop and deliver skills and labour market interventions for unemployed residents and those that have been adversely affected by the unemployment

crisis and connect residents to opportunities created through our approach to social value.

- Run a pilot project to gain Living Wage City Status, increasing the number of businesses paying the Real Living Wage and the number of Manchester residents earning at least the Real Living Wage.
- Develop a new Poverty Strategy for the city building on the strengths of the Family Poverty Strategy but extending its reach to all households, given the intelligence we now hold on poverty and inequality in the city.

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 and be fully included in high-quality education:

- Ensure a sufficient range and choice of high-quality early years, school, and other settings that are graded as good or better for all children and young people
- Children's school attendance to be achieved and sustained at or better than pre pandemic levels
- Ensuring the education system meets the needs of all learners, is inclusive and promotes equality
- Increase the number of young people post 16 who engage in employment, education and training.
- Work with schools and settings to improve outcomes for all children and to mitigate the disproportionate impact of the pandemic on disadvantaged learners.
- 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:
- Develop and deliver 2022, Our Year: working in partnership to celebrate the success and resilience of Children and Young people, whilst creating opportunities to build a successful future and contributing to the overall aim for Manchester to be recognised by UNICEF as a Child Friendly City by 2024.
- Ensure that the voice of children and young people is heard and they are able to influence and shape service delivery.
- Ensure children and young people across the City have access to youth, play, leisure, and cultural opportunities
- Support and develop children's readiness for school through implementing the refreshed Start Well Strategy
- Continue to roll out and embed skills for life for children and young people.
- Reduce number of children needing a statutory service.
- Focus on prevention and timely intervention through the provision of early help to prevent the unnecessary escalation of children's needs, tackle the involvement in youth violence leading to the requirement of a statutory / specialist intervention

- Deliver children's services at a locality level with strengthened inter-agency working and a strengths-based approach to build the resilience of families; sustaining children in stable, safe, and loving homes (permanency).
- To further embed the Think Family approach through collaborative working and joining up children's services with mental health, adult services, health services and integrated neighbourhood teams.

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 Manchester Partnership Board (MPB) to deliver the 8 health and well-being priorities for the city and enable an effective transition to Integrated Care Systems.
- Respond to the Building Back Fairer Marmot Report by developing and delivering an action plan focussed on the social determinants of health and tackling health inequalities in Manchester.
- Enable the supercharging of the Manchester Local Care Organisation (MLCO) as the delivery vehicle for improving population health and wellbeing and reducing health inequalities in the city.
- Support the continued response to and recovery from COVID-19 with all partners in the city. This includes the delivery of the Local Prevention and Response Plan, the city's 12 Point Action Plan, and the delivery of community testing and the city's mass vaccination programme.
- Support the next phase of health and social care integration in the city, including plans to supercharge Manchester Local Care Organisation.
- Support and enable the development of the MLCO and its focus on integrating health and care through the Future Shape programme and MLCO Accountability Board, ensuring this is a key component of the Council Operating Model
- Work with partners to support the flow of people through the Manchester Control Room through clear and agreed admission avoidance and discharge pathways (to ensure timely transfers between integrated care settings so that people are in the most appropriate care setting).
- Continue to develop the neighbourhood operating model and through the MLCO Integrated Neighbourhood Teams (INTs) ensure robust and community-specific communications and engagement approaches to understand and address the needs of local people.
- Enable delivery through the MLCO of the Adult Social Care (ASC) 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.
- Continue to drive forward the four initial workstreams through phase 2 of the programme, focused on 'maximising independence' through working with practitioners to take a strengths based approach, strengthening and improving

our 'short term offer', delivery our commissioning plan ensuring that we are delivering 'responsive commissioning' and continuing to strengthen our 'performance framework'.

- Deliver two additional workstreams through phase 2 as they will positively impact on our demand management strategy and improved outcomes:
  - Early Help/ASC Front Door
  - See and Solve (transforming Community Teams) with an initial focus on learning disability services.
- Ensure that as phase 2 is delivered we continue to work together with colleagues across MLCO to embed a strength-based approach across our services.
- Reduce the number of people becoming homeless and enable better housing and better outcomes for those who are homeless.
- Increasing prevention and earlier intervention to reduce the numbers of people becoming homeless.
- Reduce and eliminate the use and cost of bed and breakfast through the provision of self-contained accommodation and changes in systems to directly allocate properties.
- Reduction in number and cost of temporary accommodation by increasing access to more affordable temporary and permanent accommodation.
- Transformation of the customer journey to streamline processes and improve outcomes and reduce cost of the service.
- Continued spotlight on reducing the numbers of people sleeping rough through provision of appropriate accommodation and support.
- Collaboration with Central Government and GMCA to maximise income to the city through funding opportunities.

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.

- Work with colleagues across Greater Manchester to ensure that the City's aspirations are reflected in the "Places for Everyone" Greater Manchester Joint Development Plan, which will be submitted to Government and subject to an Examination in Public in 2022.
- Deliver the City Council's Residential Growth Strategy which underpins the city's economic growth trajectory and will ensure the delivery of new housing.
- Work closely with Registered Providers to improve quality of existing housing stock, to deliver new housing on Council-owned land, and work with developers to deliver housing on privately-owned land.
- The Council is committed to accelerate and sustain the delivery of more housing and will intervene, where necessary, to speed up the delivery of housing across the city, including developing homes ourselves. To achieve this the council will establish a viable Housing Delivery Vehicle (This City) to deliver new housing.

- Work with Joint Venture partners to deliver large-scale regeneration schemes including Phase 1 of the Victoria North Joint Venture and commencing the next phase of the Manchester Life Joint Venture in Eastern Gateway, including the delivery of new housing, a public realm strategy and a Mobility Hub in Ancoats.
- Embed Zero Carbon ambitions in the future Housing strategy, planning and delivery including an approach to housing retrofit with housing partners and progress work for Northwards housing stock
- Implement the objectives within the Private Rented Sector Delivery Plan, which will help, amongst other things, to drive up quality in the Private Rented Sector
- 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.
- Deliver lasting service improvements to the Council's directly-managed homes.
- An improvement programme for housing tenants focused on the priority issues they have raised, including: repairs service; improved investment programme delivery; community safety and dealing with anti-social behaviour will also be developed and implemented.
- Continue to deliver affordable homes by 2025 building on the progress to date as well as progressing new Extra Care Housing schemes.
- The council will continue to drive forward building safety improvements especially in high rise buildings.
- The development of a new Housing Strategy in 2022 will be critical to reflect the changing nature of the Housing Service and new delivery model.
- Develop new housing operations strategy in line with Social Housing White Paper, emerging building safety and consumer regulations

6. Neighbourhoods

Work with our city's communities to create and maintain clean, safe and vibrant neighbourhoods that Mancunians can be proud of

Enable all our diverse neighbourhoods to be clean, safe, and vibrant.
Clean

- Develop a waste strategy which reflects the future requirements of the English Resource and Waste Strategy and the priorities for the city. Assess future delivery models around operational services, including the waste collection and street cleaning arrangements.
- Implement strategies and initiatives at a local level to target areas impacted by littering; recover and improve recycling levels; and reduce residual waste levels through increased participation and compliance. Promote legitimate waste disposal routes which prioritise re-use and recycling options, where possible, to reduce the associated environmental and financial costs.
- Building on the existing partnership work, strengthen intelligence sharing and engagement to tackle illegal waste activity, working jointly with the police and Environment Agency utilising the legislative framework provided by the Environment Act 2021.
- Safe

- Launch the refreshed Community Safety Strategy for 2022-25 and continue to work with our communities and partners in the Community Safety Partnership to deliver on the key priorities identified in the strategy.
- Work towards achieving the aims and ambitions set out in the Domestic Abuse Strategy that was launched at the end of 2021.
- We will continue to work with partners, VCS (Voluntary and Community Sector) organisations and communities to develop community led initiatives to address local priorities such as: to challenge hate, prejudice, and extremism; and to address serious violence.
- Implement an effective COVID Recovery Plan which supports residents, communities and businesses and the full resumption of services including addressing backlogs built up in key public health areas such as food hygiene. Continue to deliver COVID contact tracing in complex settings, outbreak control and provide covid secure advice and enforcement where required, in line with latest government guidance, to ensure businesses are compliant and safe for both customers and staff.
- Vibrant
- Continue to invest in neighbourhood and community assets including parks and leisure / sports centres, libraries, cultural and social infrastructure. New libraries are planned for Crumpsall, Gorton and investment in a transformed Chorlton Library, with refurbs planned for Didsbury, Longsight, Newton Heath, North City and extension of the open libraries' pilots. New park and leisure facilities planned for Abraham Moss, Hough End and Wythenshawe Park, with refurbs at the Manchester Aquatics Centre and the National Cycling Centre.
- Work with partners to establish a Manchester Major Events Commission with representation from key funding stakeholders to ensure we have a sector wide, long-term focus on developing the approach and bringing new events to Manchester, ensuring the programme is diverse and celebrates what is great about Manchester
- Embed neighbourhood working across the whole Council and our partners, and deliver services closer to residents.
- Through the Future Shape of the Council programme, we will embed a place-based approach through our systems, processes and decisions, ensuring we consider the role and needs of neighbourhoods in the way we deliver services; and, enable the workforce to understand the city, including the different characteristics of Manchester’s neighbourhoods and use this knowledge to improve outcomes for Manchester residents.
- The Bringing Services Together for People in Places model will continue to develop; enabling an integrated model of neighbourhood working across core public sector service including Health, GMP, Housing, Children's and Adult services. This includes:
    - The development of an Early Help offer for Adults and an expansion of the Multi Agency Prevention and Support (MAPS) meetings to enable support to be provided to those who need at the right time;
    - Working with partners and the VCSE to ensure our communication and engagement with residents is joined up where appropriate;
    - Developing and delivering a shared set of priorities across partners within each of the 13 neighbourhoods;

    - Review Local Community Safety Partnerships in order to ensure continued alignment with Bringing Services Together for People in Places programme.
- The Children's Reform Programme continues to focus on reforming Children's Services to deliver local, place-based services using the Shared Neighbourhood Delivery footprint. This has enabled services to align with Integrated Neighbourhood Teams (health and social care) and Bringing Services Together, with stakeholders working together in partnership to deliver effective interventions resulting in positive changes for Manchester children. It has also strengthened local partnerships, to work together in response to specific complexities of each geographical area across the city.

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.

- Continue to deliver against the Greater Manchester 2040 Transport Strategy (refreshed in December 2020) and the City Centre Transport Strategy.
- The quality of our highways and pavements, number of potholes repaired, and gully cleansing remains a priority for our residents. Having completed the previous 5-year highway investment programme, year 6 funding has been received so the programme can continue.
- Active travel through the prioritising of walking and cycling will continue and any external funding opportunities that can support delivery will be taken.
- The delivery of walking and cycling improvements funded by the Mayor's Challenge Fund will continue.
- Effectively enforce parking and bus lane restrictions to keep the city's roads moving and safe and reduce congestion.
- Facilitate the development of the city's digital infrastructure, to enable delivery of transformed public services and a more economically inclusive and resilient city
- New Digital Team will begin to deliver on the action plan of the Digital Strategy around the 4 themes of Smart People, Digital Places, Future Prosperity and Sustainable Resilience.
- Through the rollout of audio video technologies ensure people can have face to face digital access to public services and gain essential digital skills, building on the Audio Visual pilot that commenced in Winter 2021.
- Working in partnership with other public services and VCSE organisations, continue to tackle digital exclusion, so that all of our residents have access to the benefits of online services and opportunities.
- Through the roll out of new network infrastructure (WAN (Wide Area Network), LAN (Local Area Network) and WiFi) ensure the continued provision of public WiFi across Manchester and continue to support digital and social inclusion.
- Work with partners to support residents, neighbourhoods and businesses connect to local, national, and international markets through enhanced digital infrastructure.

- Continue to support the integration of Health and Education, and Early Years systems with Social Care (such as Liquid Logic) through the work to embed and develop the EYES (Early Years & Education Management System) application.
- Developing consistently engaging digital content which will support the Council to be a trusted influencer and service provider by being an integral part of existing local community networks.

8. Equality, Diversity, and Inclusion

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.

- To strengthen our growing evidence bases through the delivery of a Communities of Identity Report to identify the different experiences of individual identity groups in Manchester.
- New strategies, policies, budget, service changes and new models of delivery across the council are underpinned by equality relevancy assessments and where appropriate full Equality Impact Assessments at the design stage.
- Continue to develop and implement social value and commitments to various charters and covenants that the Council has signed e.g., Care Leavers Covenant, Armed Forces Covenant.
- Become a White Ribbon organisation to help end gender-based violence against women and girls.
- Continue to coordinate, provide sponsorship, and deliver equality events in the city, promoting awareness of various identity groups, as well as celebrating diversity awareness through supporting national initiatives such as; Black history month, South Asian Heritage Month, Refugee Week, International Day of Disabled People, International Mother Language Day, Pride, International Womens Day, World Aids Day etc.
- Review and strengthen the partnership arrangements nationally, regionally and locally including exploring the appetite and feasibility of a new Manchester EDI officers network.
- As an employer, ensure a fair and inclusive working environment which recognises, values, and responds to the dynamics and opportunities of a diverse workforce.
- Focus on key areas and actions that will support the organisation to be a place where our workforce fully reflects the rich diversity and talent of the communities we serve at all levels
- Attract, recruit, and select in a way that is inclusive and drives diversity at all levels e.g., better diversity on recruitment panels, and strengthening induction to communicate the importance of equality, diversity, and inclusion, and what is and is not acceptable.
- Educate, develop, and build talent in our workforce e.g., targeted Inclusive Leadership programmes and introduce a new equality, diversity, and inclusion 'Our Manchester behaviour'.
- Strengthen visibility and voice of staff networks, equality champions and allies

- Be clear in our zero tolerance to discrimination making any discriminatory. behaviour grounds for gross misconduct (New disciplinary policy) and taking a zero-tolerance approach to any form of discrimination or harassment from the public (New Third-Party Abuse & Harassment policy).
- Set and monitor targets across a range of measures across the organisation and developing a framework for the senior leadership group to have an Equality Objective within their annual performance review.
- Create policies and processes that feel fair to everyone, including, but not limited to, working with the Business Disability Forum to develop a work programme to take the council to 'Disability Confident Leader' status.

9. Well-managed Council

Support our people to be the best and make the most of our resources

Implement the Corporate Peer Review action plan, deliver the Future Shape of the Council programme, along with budget reductions and savings.

- Implement the action plan that has been developed in response to the Council's Corporate Peer Review, covering key areas of improvement identified within the context of Manchester already being a 'first rate Council' in 'a city of firsts'
- Lead and coordinate the next phase of the Future Shape of the Council programme to ensure a coherent approach to the Council and its' partner's change programmes. This will support the delivery of the council's future operating model.
- Development and implementation of enabling corporate support functions to support the integration of the Manchester Local Care Organisation and Northwards Housing.
- Adoption of a Digital First approach in the Council. This will include piloting new technologies to make back-office processes more efficient, the development of a Data Management Strategy and standards and implementation of the Resident and Business Digital Experience Programme.
- Continue to deliver the Our Ways of Working programme supported by appropriate culture and technology. Adapt working environments to make efficient use of space and support our ways of working; including the delivery of key projects such as the refurbishment of Hammerstone Road, Gorton Hub, and support to the Our Town Hall Project.
- Produce and manage a balanced budget in 2022/23 reflecting Member priorities and the Our Manchester reset, achieving agreed budget reductions and savings.
- Effectively manage our resources, via budget management and planning, within our legal framework, and to support to managers and performance management.
- Develop a three-year Medium Term Financial Strategy that delivers a balanced budget focused that balances resilience with the delivery of council priorities.
- Develop an updated Capital Strategy to deliver key council priorities, maximising external funding and income generation and a sustainable way of prioritising use of council capital resources.

- Implement the Our Manchester Strategy Delivery Plan and Corporate Plan priorities and provide supporting intelligence to inform decision making and monitor performance, outcomes and impact.
- Monitor and identify changing demand on services via the development and use of demand/prediction models. Use these models alongside wider intelligence to inform service design and resource allocation decisions.
- Implement the Organisation Development plan, talent management plan and management accountability framework that are owned by Leaders of the Council.
- Two development programmes were launched in 2021 aimed at black, Asian and minority ethnic staff. Following evaluation agree the offer for 2022/23 and whether the programmes should be extended to other groups (e.g. disabled staff).
- Carry out the work required to transform our Corporate Core
- Design a new target operating model for the Core embedding the principles of Future Shape of the Council and the new Organisational Development Plan.
- Complete current service redesigns in the Core and align how we operate to the future operating model.
- Deliver an efficient, effective and financially sustainable legal service to the council and partners, working together to prioritise resources to support the delivery of key council priorities and ensure the council operates within its legal framework.
- Develop improved processes that improve employee experience and efficiency focusing initially on capital programmes, budget management and recruitment.
- Embed learning from process redesigns across the Core, adopting the digital first approach and enabled by the replacement of the SAP (HR and Finance) system.
- Implement improvements to decision making processes, with greater trust and accountability, good governance, and embedding climate change, inclusion and place from the start.
- Develop a clear approach to project management and how we implement change as an organisation.

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Manchester City Council
Report for Resolution

Report to:	Children and Young People Scrutiny Committee - 8 February 2022 Executive Committee - 16 February 2022
Subject:	Children and Education Services Directorate Budget 2022/23
Report of:	Strategic Director for Children's and Education Services

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Summary

Following the Spending Review announcements and provisional local government finance settlement 2022/23 the Council is forecasting a balanced budget for 2022/23, a gap of £37m in 2023/24 and £58m by 2024/25. This report sets out the high-level position.

The finance settlement was towards the positive end of forecasts and no actions beyond those outlined in November are required to balance next year's budget. As reported to November Scrutiny meeting officers identified savings and mitigations totalling c£7.7m which are subject to approval.

The settlement was for one year only and considerable uncertainty remains from 2023/24. A longer-term strategy to close the budget gap is being prepared with an estimated requirement to find budget cuts and savings in the region of £60m over the next three years. In addition, £30m of risk-based reserves have been identified as available to manage risk and timing differences

Included in the report are the priorities for the services in the remit of this committee. Appended are details on the initial revenue budget changes proposed by officers and the planned capital programme.

The report also includes 2022/23 Dedicated Schools Grant. Notification was received on the 16th December 2021 and totals £627.682m. The overall increase in grant since last year is £25.055m. The biggest change in the grant is due to 2.8% per pupil related increase in part of the grant that supports primary and secondary schools, £9.441m uplift in the high needs block which totals £19.944m plus £5.111m increase that reflects the change in pupil numbers. The proposed Schools Budget for 2022/23 has been agreed in consultation with Schools Forum on the 18th January 2022.

Budget options outlined in the report 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.

This report which for ease of reference is structured as follows.

Section 1	Summary of Council Budget

Recommendations

The Scrutiny committee is recommended to:

1. Note the forecast medium term revenue budget position.

2. Consider the content of this report and comment on the proposed changes which are relevant to the remit of this scrutiny committee.

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 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 can 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 Revenue

The changes included within this report are officer proposals and, subject to Member comments and consultation, these will be included as part of the 2022/23 budget preparation.

Financial Consequences – Capital

None directly arising from this report.

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 Report 2021/22
Children and Young People Scrutiny 10th February
Executive 17th February 2021

Children and Education Services Directorate Budget 2022/23
Scrutiny Committee 10th November 2021

Executive – 17 January 2022 Subject: Provisional local government finance settlement 2022/23 and budget assumptions

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1.0 Introduction and Context

1.1 On 27 October 2021, the Chancellor of the Exchequer, Rishi Sunak MP, delivered the Spending Review and Autumn budget 2021 to the House of Commons. The Spending Review sets the quantum of funding available for local government whilst the Finance Settlement, which followed on 16 December 2021, sets out the distribution to individual local authorities.

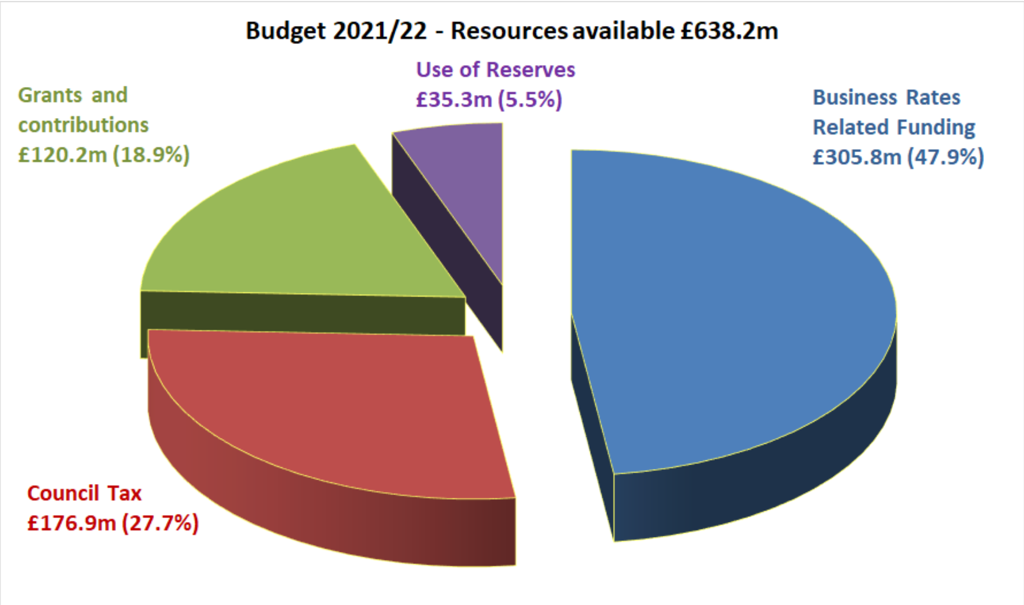
1.2 The finance settlement has been front loaded and includes several one-off distributions of funding. It is also a one-year settlement. Therefore, considerable uncertainty remains in relation to the position after 2022/23.

1.3 The Local government funding reform work will be restarted in the Spring. This means that the Fair Funding Review and baseline reset are both going to be under consideration again, for possible implementation in 2023/24. This will change on how funding between different local authorities is distributed.

1.4 The final budget position for 2022/23 and beyond will be confirmed at February Executive. This will be after the key decisions confirming the Collection Fund position and Council Tax and Business Rates base have been made and the Final Finance Settlement is received. It is unlikely that there will be any significant changes to the Provisional Settlement.

1.5 The Council's 2021/22 net revenue budget is currently funded from four main sources which are Council Tax, Business Rates, government grants and contributions 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 resources raised locally has become even more important for financial sustainability and is integral to the Council's financial planning.

1.6 The following chart shows the current breakdown of resources available.



2.0 Current budget position

2.1 The indicative medium-term position is shown in the table below, full details are provided in the settlement and budget report to 17 January Executive meeting.

	Revised 2021 / 22 £'000	**2022 / 23 £'000**	**2023 / 24 £'000**	**2024 / 25 £'000**
Resources Available				
Business Rates Related Funding	156,416	338,092	322,337	340,330
Council Tax	176,857	208,965	206,620	217,197
Grants and other External Funding	120,243	104,533	87,374	85,374
Use of Reserves	184,667	36,781	30,592	15,573
Total Resources Available	**638,183**	**688,371**	**646,923**	**658,474**
Resources Required				
Corporate Costs	120,232	133,058	110,211	114,849
Directorate Costs	517,951	555,313	573,494	601,172
Total Resources Required	**638,183**	**688,371**	**683,705**	**716,021**
Shortfall / (surplus)	**0**	**0**	**36,782**	**57,547**

2.2 The budget assumptions that underpin 2022/23 to 2024/25 include the commitments made as part of the 2021/22 budget process to fund ongoing demand pressures as well as provision to meet other known pressures such as inflation and any pay awards (estimated at 3% from 2022/23). Whilst this contributes to the scale of the budget gap it is important that a realistic budget is budget set which reflects ongoing cost and demand pressures.

2.3 Officers have identified options to balance the budget in 2022/23 which are subject to approval. The detail relevant to this scrutiny remit is included at Appendix One. If these proposals are supported a balanced budget will be achieved. In addition, £30m of risk-based reserves have been identified as available to manage risk and timing differences.

3.0 Scrutiny of the draft budget proposals and budget reports

3.1 The reports have been tailored to the remit of each scrutiny as shown in the table below. This Committee is invited to consider the proposed changes which are within its remit and to make recommendations to the Executive before it agrees to the final budget proposals in February 2022.

Date	Meeting	Services Included
8 February 2022	Resources and Governance Scrutiny Committee	Chief Executives Corporate Services Revenue and Benefits / Customer and Welfare Support Business Units
8 February 2022	Communities and Equalities Scrutiny Committee	Sport, Leisure, Events Libraries Galleries and Culture Compliance and Community Safety Housing Operations including Homelessness Neighbourhood working
9 February 2022	Health Scrutiny Committee	Adult Social Care and Population Health
9 February 2022	Children and Young People Scrutiny Committee	Children and Education Services Youth and Play
10 February 2022	Environment and Climate Change Scrutiny Committee	Waste and Recycling Parks Grounds maintenance
10 February 2022	Economy Scrutiny Committee	City Centre Regeneration Strategic Development Housing and residential growth Planning, Building Control, and licensing Investment Estate Work and skills Highways

4.0 Next Steps

4.1 The proposed next steps are as follows:

- Executive (16 February) receive proposed budget
- Resources and Governance Budget Scrutiny – 28 February
- March Council - approval of 2022/23 budget - 4 March
- New Municipal Year – early options around 2023/24 & 2024/25 discussed with members

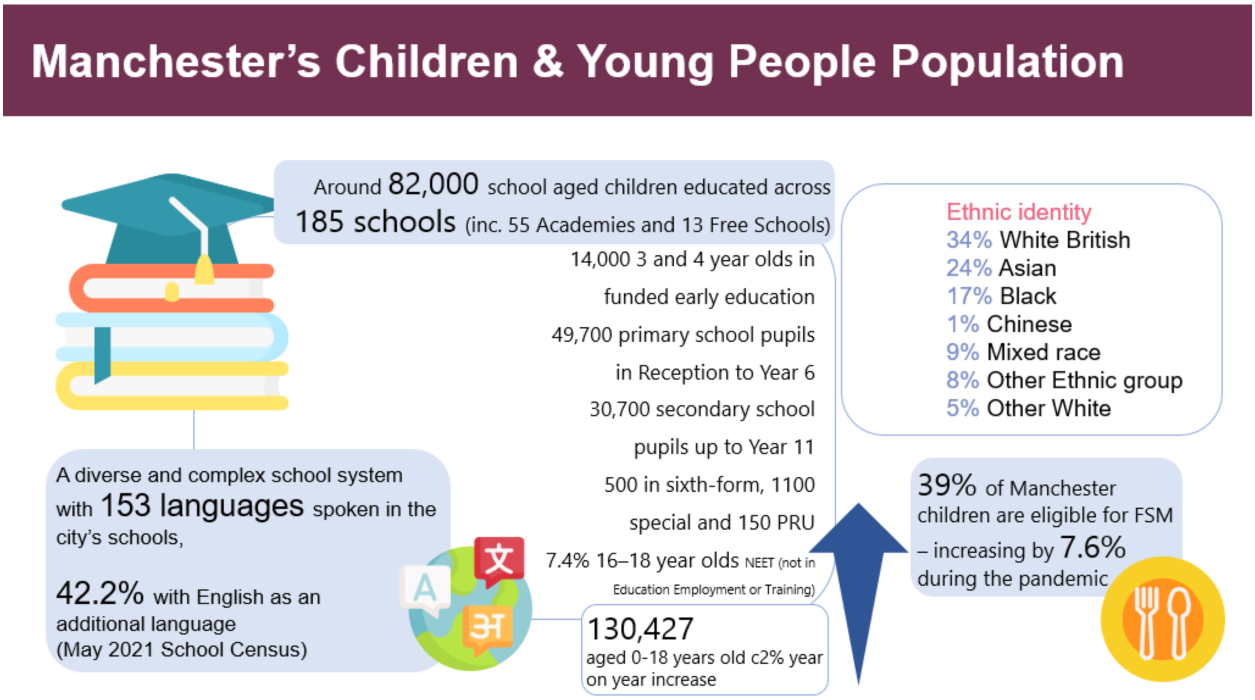
5.0 Service Context

5.1 In Manchester we are proud and passionate about improving their lives and experiences. Therefore, relationship matters as we: listen; work with children and families in their communities; collaborate and build effective partnerships. Together we build on the strengths of families/communities, use knowledge and evidence to inform our focused and purposeful activity to give our children the best possible experience and outcomes.

5.2 In recognising the disruptive and detrimental impact of the COVID pandemic on children and young people in respect of their emotional, social and educational development. In September 2020, the City Council Executive resolved to dedicate 2022 to the city's children and young people; branded as '2022, Our Year'. This will involve working in partnership with the public and private sector to celebrate their resilience and successes whilst creating opportunities to have experiences that contribute to helping them build a successful future. This will be a key part of the City's COVID recovery.

5.3 The City has a diverse population with many communities and 153 languages spoken in schools. The overall population has continued to grow over the past two decades and Manchester is home to 547,627 residents of which around 130,000 children and young people aged 0 to 18 years - 23% of the population; of which 39% are eligible for a free school meal and 42.2% with English as additional language. Over the last ten years Manchester's child population has grown at an annual rate of circa 2%, Illustration one sets out the Manchester's child population demographics.

ILLUSTRATATION ONE:



5.4 The Children and Education Services Directorate effectively is responsible for delivering the Council's statutory duties and responsibilities in respect of children in need of help, support and protection, as set out in illustration two. Whilst at the same time ensuring they have access to a high-quality education and learning

ILLUSTRATATION TWO:

Manchester's Children & Young People In Need of Targeted/Specialist Help, Support and Protection

Manchester's children and young people in need of help, support and protection:

5,282 Children in Need, of which:

- 575 are on Child Protection Plans
- 1,436 are Looked After
- 1,112 Care Leavers
- 57 are currently open to Youth Justice

DfE Analysis of the Child in Need cohort from March 2020 showed **56%** had Special Educational Needs

There were **5,569** Education, Health and Care Plans managed by Manchester at the end of October 2021

5.5 In delivering the Council's statutory duties and responsibilities, the Directorate also contributes to other strategies, such as those outlined in Manchester's Children and Young People's Plan, 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.

5.6 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, Inclusion 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.

5.7 Throughout the COVID pandemic, Children's and Education services and their partners have sought to continue to ensure the delivery of the services that underpin Our Children's strategy; our strategic objectives are children live safe, happy, health and successful lives. Within the safeguarding partnership the system has drawn from the pre-COVID shared vision for Manchester's children, supported by a range of strategies and approaches to minimise impact of the pandemic on all children.

5.8 Since March 2020, the service has operated under the working premise of "business as usual but doing things differently"; transitioning into 'working with agility'. These mission statements reflect the Directorate's commitment to the city's children and young people to ensure their welfare, education is safeguarded and promoted. As such the service has, throughout the pandemic, mindful of relevant health and safety advice, continued to work directly with children and their families and encouraged children and young people to attend their school or setting. It is to credit of our staff, the Directorate has shown significant creativity and flexibility in their approach to service provision in this context, whilst at the same time supporting the partnerships capacity to continue to develop collaboration in the knowledge that some families require a co-ordinated multi agency level of support to safeguard children.

Service Delivery – Education Services

5.9 This service budget represents the Council's responsibilities for education and learning other than those funded by the Dedicated Schools Grant. It includes school admissions, place planning, home to school transport and school crossing patrols. It also includes some support for children with SEND such as short breaks and respite care, support for inclusion and other groups of vulnerable children and the education of children looked after through the Virtual School.

5.10 Within the Manchester school population, the January 2021 census showed that 17.7% of pupils have Special Education Needs. This was made up of 13.4% who have their needs met at SEN (Special Educational Needs) Support level and 4.3% 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 but in Manchester there is a strong correlation between measures of deprivation and the number of EHCPs. At May 2021 Manchester currently supported 5,159 Education, health and care plans for children and young people up to age 25.

5.11 The overall Ofsted outcomes for Manchester in 2021 showed:

- 96% of Early years settings and 92% childminders were judged to be good or better.
- 88.8% of schools are good or better which is above national average (86.00%) and shows a continually improving system.
- 92.50% of Manchester primary schools and 69.20% of secondary schools are judged by Ofsted to be good or outstanding (with 5 new secondary schools still waiting a judgement).
- all post 16 provision is judged to be good or better in the City.

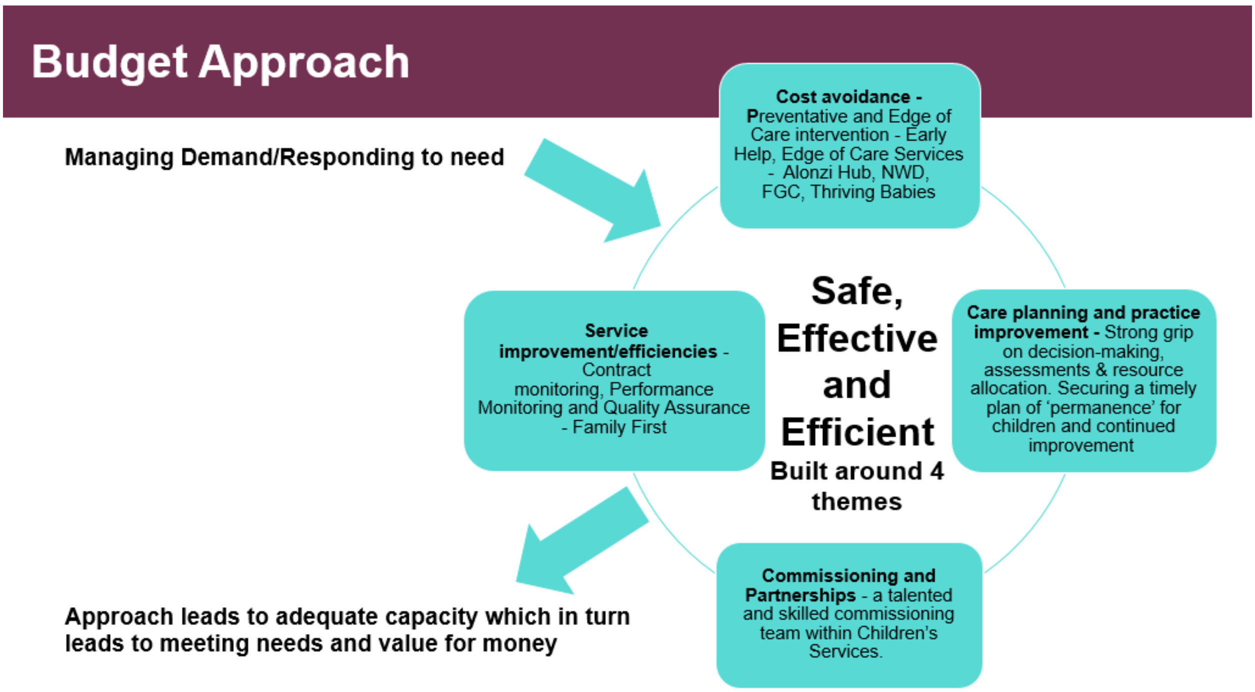
5.12 Ensuring children and young people access high quality education has remained high priority throughout the pandemic and the Council have continued their robust quality assurance of schools via quality assurance professionals as well as providing ongoing communication, advice and support for school and setting leaders on a variety of issues throughout this time.

Service Delivery – Children's Services

5.13 This service brings together the Council's duties in relation to children in need, child protection, looked after children and young people with care experience (leaving care service). It includes a range of services targeted to support families and help to avoid the need for children to come into care. It also provides short breaks and respite care services for disabled children and their families as well as Youth Justice Services. The budget recognises the costs associated with increased numbers of children requiring help, support and protection and the complexity of their needs. The Directorate's budget approach, as set out in Illustration three is built upon four themes:

1. **Cost avoidance** – preventive, timely and edge of care intervention
2. **Care planning -** and continuous practice improvement
3. **Commissioning** - collaboration and partnerships
4. **Service improvement/efficiencies**

ILLUSTRATION THREE



5.14 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 experiences, outcomes and quality of services provided to children and their families. The trajectory of continuous improvement has been sustained as reflected in later Ofsted focused visits (in 2018 and 2019), Peer Reviews and a Local Government Association Peer Reviews.

5.15 Despite a 28% increase in the City's child population since 2011 the number of looked after children has not increased at the same rate. There has been a reduction in the rate per ten thousand from 131 to 111. In terms of national comparisons between 2008 and 2020 Manchester saw a reduction of 2% in numbers of children and young people in care compared to a 35% increase nationally over same period.

5.16 Our rate of ‘children in need’ at 424 per 10,000 is lower than the 433 rate in 2018/19, despite pandemic pressures. 12% of children discharged from care in the last 6 months have gone onto be the subject of Special Guardianship maintaining close levels to 2018/19. Adoption rates sets to return to pre-pandemic rates. Attributable to timelier and quality of intervention, over time there has been a significant decrease in the number of children subject to child protection planning reducing from 74.7 per 10,000 at the end of 2018/19 to 56.3 per 10,000 at the end of 2018/19, outperforming statistically similar, northwest and core city authorities.

5.17 In addition, there has been a reduction in the number of children and young people subject to child protection plans from 787 at the end of 2018/19 to 572 in December 2021. The percentage of children subject to Child Protection Plans with up-to-date reviews continue to increase, at 96% at the end of 2020/21 the rate was higher than all comparators - regional, statistical neighbours, core cities and the national average.

5.18 The improvements in both Children and Education Services have in part been associated with continued and strengthening partnerships that support even greater collaboration and robust leadership; underpinned by an effective performance/assurance framework. A recent Local Government Association peer review recommends that IT and Business Support offers supporting the service should be reviewed in order to better meet service needs.

<u>Priorities for this year and next:</u>

5.19 Engagement from our children and young people has shown that that there needs to be a strong focus on education, environment, health and equality, diversity and inclusion in the delivery of the ‘2022 Our Year’ approach. The ultimate ambition will be for Manchester to be recognised by UNICEF as a Child Friendly City by 2024.

5.20 The Children and Young People’s Plan 2020 - 2024 - translates the Our Manchester priorities into a vision for ‘building a safe, happy, healthy and successful future for children and young people’. The Council are passionate about children and young people. This is reflected not only in the way the Directorate work with them, but in all aspects of our service planning, commissioning and delivery of services. This is a value-based approach that involves a relentless drive and focus on improving all areas of children's and young people's lives, underpinned by a strength based, can do attitude.

5.21 To support the delivery of the city’s strategic priorities the Children and Education Directorate Plan outlines the following key priorities for the next 2 years:

1. Recognise and value the voices of children and young people in all areas of our work, listening to them and responding to what they tell us
2. Support and develop children's readiness for school and adulthood embedded in an approach to early intervention and early help
3. Everyone's a leader - an empowered, capable, confident and stable workforce; effective in the management of risk, performance and planning for children
4. Continually improve outcomes for all children and ‘close the gap’ against the national attainment averages
5. Greater collaboration and partnerships consolidate children’s services locality model to support and promote children living in stable, safe and loving homes - achieving ‘permanency’ to safely reduce the number of children looked after and/or in need of a statutory service.
6. Ensure there is a sufficient range and choice of high-quality early years, school, college and youth provision for all children and young people
7. Develop and implement a specialist service/offer for children with complex needs.

5.22 A timely intervention preventing the unnecessary escalation of children’s needs is still a key Directorate priority, as is the range and choice of provision for those children who are looked after by the Council and our care leavers. The Directorate operates within a national context of a changing regulatory framework which has an increased focus on.

5.23 Maintaining the Directorate’s commitment to the quality of social work practice and management oversight and ensuring the education system is inclusive, delivers good or outstanding schools and meets the needs of all learners. This requires the Directorate to adapt, anticipate and respond to the challenges with purpose and focus.

5.24 The budget 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.

Key actions on tackling diversity and inclusion

5.25 The Directorate works together with Manchester’s citizens and our partners to understand our diverse communities, improve life chances, and celebrate diversity. There is a commitment to understanding and addressing the effects and impacts of its activities for the diverse range of people using the service. To achieve the Directorate is committed to undertaking where required and monitor equality analysis of new or altered functions, to ensure they are accessible and inclusive and do not cause adverse equality impacts. The Directorate will use the Council's Equality Impact Assessment framework to do this. It will strengthen evidence bases to show 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.

5.26 Education services provide support and challenge to schools to address gaps in attainment and disproportionality in attendance and exclusion between black, Asian and other ethnic minority groups in the city. They are encouraging all schools to sign up to the Diverse Curriculum Charter developed by Afzal Khan and developing a plan in collaboration with Teaching School hub and school leaders to ensure the school workforce and school leadership better reflects the diversity in the city.

5.27 As an employer the Directorate seeks to ensure a fair and inclusive working environment which recognises, values and responds to the dynamics and opportunities of a diverse workforce. The Children's Services Plan has five key focus areas of: reverse mentoring, recruitment, training, mentoring and personal development opportunities for all and having ongoing and transparent conversations about race equality.

Key actions Contribution to Council's energy and carbon reduction targets

5.28 The Directorate contributes towards the Council's energy and carbon reduction. More specifically it is working on developing a comprehensive action plan that outline steps to be taken to reduce impact on climate change across the Directorate including in schools, colleges and early year settings. It will seek to identify any key initiatives in other Local Authorities/cities and see if transferable to Manchester and ensure the Council is connected into national/pilot initiatives to reduce carbon usage and can access funding available to implement.

5.29 The Council plans to commission detailed condition surveys, updated floor plans, and refreshed net capacity assessments. The updated suite of information will be used to effectively prioritise capital investment in the school estate and enable it to make a substantial contribution towards the Council's energy and carbon reduction targets.

6.0 Conclusion

6.1 Overall, the settlement announcements were towards the positive end expectations. It is expected that mitigations in the region of £7.7m, as previously identified, will be sufficient to balance the 2022/23 budget.

6.2 Officers have estimated the future resources available based on the information available. This results in forecast gap of £37m in 2023/24 increasing to £58m in 2024/25.

6.3 The focus will now be on identifying savings and mitigations to keep the council on a sustainable financial footing. It is proposed that budget cuts and savings of £60m over three years are developed for member consideration. £60m equates to just under 12% of 2022/23 directorate budgets. In addition, £30m of risk-based reserves have been identified as available to manage risk and timing differences

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Appendix one

Budget Overview

The Children and Education Services net annual budget for 2021/22 is £118.701m and is illustrated in Table one and two alongside the indicative budgets through to 2024/25.

Table one: Base budget 2021/22

Service Area	2021/22 Gross Budget	2021/22 Net Budget	2021/22 Budgeted Posts (FTE)	2022/23 Net Budget
	£'000	£000		£000
LAC Placements	54,761	40,326	34	47,359
LAC Placements Services	7,394	6,507	86	6,495
Permanence & Leaving Care	23,260	14,633	15	14,853
Children Safeguarding Service Areas	43,087	35,698	742	37,378
Education Services	6,860	5,642	70	6,289
Home to School Transport	10,232	10,161	127	10,245
TYSS	841	341		841
Children's Strategic Management and Business Support	5,497	5,393	117	5,380
Total	**151,932**	**118,701**	**1,191**	**129,021**

Medium Term Financial Plan

The Council's medium term financial plan shows that the budget is expected to increase to over £135m by 2024/25 as it supports demand and demographic pressures expected to materialise over the next three years.

Table Two: Indicative Three-Year Budget

		2022/23			2023/24			2024/25		
Service Area	**Net Budget**	**Savings**	**Other changes**	**Net Budget**	**Savings**	**Other changes**	**Net Budget**	**Savings**	**Other changes**	**Net Budget**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
LAC Placements	40,326	-2,375	9,408	47,359		3,481	50,840		2,134	52,974
LAC Placements Services	6,507	-43	32	6,495			6,495			6,495
Permanence & Leaving Care	14,633	-2	222	14,853			14,853			14,853
Children Safeguarding Service Areas	35,698	1,076	604	37,378	-100		37,278	-100		37,178
Education Services	5,642	625	22	6,289			6,289			6,289
Home to School Transport	10,161	-30	294	10,425		285	10,710		285	10,995
TYSS	341	500		841			841			841
Children's Strategic Management and Business Support	5,393	-41	28	5,380			5,380			5,380
Total	**118,701**	**-292**	**10,611**	**129,021**	**-100**	**3,766**	**132,687**	**-100**	**2,419**	**135,006**

The 2021/22 budget process saw the Council develop savings and efficiency plans of over £48m over the three years to 2023/24. Overall, savings of £12.359m were agreed, and have mostly been achieved other than:

- Supported Accommodation - £1m of the £1.767m is delayed and will be achieved next year in full as more suitable provision with registered housing providers becomes made available November 2021.
- Multi-Agency Placements – almost 60% of the £1m has been achieved, it is not yet known whether this saving will be achieved in full next year, this will be dependent on the agreements made at panel.

Approved Budget Changes Agreed in 2021/22

The following budget changes were approved as part of the 2021/22 budget setting process:

- **£1.050m savings 2022/23** relate to placements**.** Some of the savings are the full year impact of 2021/22 placements. There is a level of confidence that the options presented were reflective of the Directorate's budget strategy promoting a preventative, focused and purposeful intervention and delivering value for money. This includes delivering services to children with high/complex needs who need to be 'looked after' by the council through transforming services and increasing the range and choice of placements (sufficiency). Most of these options are underpinned by commissioning activity. 2023/24 and 2024/25 savings total £100k per annum.

- **£2.611m of the 2021/22 and £1.409m of the 2022/23 savings** are one-off and reverse in the following year. The 2021/22 budget planning process acknowledged that not all the options could be fully realised in 2021/22-2022/23 and it was approved that the reserves can be used on an one-off basis to smooth out transition reductions in budget. These reserves have now been used and the expenditure will be funded by increasing the available budget.

- To balance the 2021/22 budget, the Directorate reviewed their reserves. Following the review, the Directorate were able to support their budget position by **£7.135m.** The medium-term financial plan assumes this will be funded from mainstream budget 2022/23 onwards and represents an increase in the funding supported corporately and an increase in the Children's Services net budget.

- **£2.293m for Demographic Growth -** Changing levels of demand through population growth and complexity of need are calculated and provision made within the budget, overall, the population of children in the city is expected to increase by 3%. The 2023/24 and 2024/25 demographic changes total £2.357m and £2.419m, respectively.

The following budget changes are new pressures or savings and are part of the 2022/23 budget setting process:

- **Staff budgeting and vacancy factor review - £444k saving** - Except for senior graded posts (SS1 and above) positions are currently budgeted at the top of grade less a vacancy factor. This factor is 2.5% in many service areas, higher vacancy factors are adopted in a limited number of service areas (where appropriate). A 1% increase to the vacancy factor would more accurately reflect the fact that many employees are not at the top of the grade and the current levels of turnover and would generate budget savings.

- **Early Years £400k -** In 2012, as part of the austerity cuts, the Council took the decision to withdraw from the direct provision of day-care services to move to a new model, with the Council acting as commissioner of day-care services. As the condition of the estate has deteriorated maintenance costs are higher than day care providers anticipated and can afford. A review of the current arrangements with tendered day-care has been concluded and Executive have agreed a capital investment of £3m to improve the condition of these buildings. However, this is a 3-year programme and current projections indicate an ongoing budget shortfall.

- **National Insurance increase £318k -** The Government has confirmed that National Insurance rates will rise from April 2022, a change which was initially announced in September. There will be a new 1.25% tax on workers and employers to fund health and social care. Added cost to the employer has been recognised in the budget.

- **Annual Fostering Uplift £457k -** Children Services has worked to deliver a more attractive offer to foster care, an effective marketing campaign, develop skills within the in-house fostering service and plan for conversion of external foster carers to become internal foster carers as part of the new procurement framework arrangement being developed in the North West. An external commission to review the current offer to in-house foster carers compared to external agencies was completed by 31st January 2019. The current offer from Manchester City Council’s Fostering Agency is increasingly positive and comparable to external agencies. In order to maintain this the service is seeking to uplift in-house foster care offer by 2.1% to be applied April 2022 onwards. Alongside this there is a continued focus on Special Guardianship Orders, this will be achieved through increased confidence in the ‘offer’ and ‘conversion’ from long-term fostering arrangements.

The net impact of the changes above resulted in proposed budget increases of £10.319m in 2022/23, a further £3.666m in 2023/24 and additional £2.319m 2024/25, the table below outlines the movement in the budget since last year.

Table Three - Budget Movement 2021/22 - 2022/23

	Changes	**Budget £m**
2021/22 Baseline Budget		**118.701**
Budget Adjustments Agreed 2021/22		
Savings		
Full Year Impact of 2021/22 savings	-1.050	
Reversal of One-off Savings	2.611	
One-off Savings that impact 2022/23	-1.409	
		0.152
Growth		
Previously Funded from a reserve	7.135	
Demography	2.293	
		9.428
Budget Adjustments Proposed 2022/23		
Savings		
Staffing and Vacancy Factor Review	-0.444	
		-0.444
Growth		
Early Years	0.400	
National Insurance increase	0.318	
Fostering Uplift	0.465	
		1.183
Sub Total		**10.319**
2022/23 Budget		129.020

Investment

The report to January Executive set out that the funding announced for 2022/23 makes available £12m to fund additional pressures and emerging risks and that, in line with the agreed approach, "this is used across a three-year period. Full detail of suggested priorities for funding will be presented to the Executive in February 2022. This could include priorities such as anti-poverty measures, waste and street cleaning".

In line with the updated Corporate Plan included elsewhere on the agenda and reflecting the political priorities of the Council, the budget includes a proposal to invest a further £500k into youth provision. The planned use of that funding will be developed with the purpose of strengthening youth provision in every ward and to ensure the ongoing operation of the Woodhouse Park active lifestyle Centre.

Whilst Youth and Play is included in the scope of the committee it is not part of the Children's and Education Services budget. The investment outlined in the paragraph above is therefore not included in the budget tables provided in the report.

Emerging Pressures

- **Looked After Children placement costs -** There continues to be a growing child population in Manchester with increasing need for a statutory intervention – as showed by the growth in SEND, requests for Social Care intervention and Short Breaks (17%, 12%, 69% respectively). This attributed to increased vulnerabilities in the community such as family poverty, domestic violence and detrimental impact on mental health and associations with the impact of COVID. To manage the increased need of children and their families for services there has been continued investment in targeted, 'front door', edge of care services and approach to permanency. Up to now this has had a positive impact on managing these increased pressures. This coupled with an ongoing high performing Early Help/Edge of Care services indicate the Directorate has shown a certain level of resilience in the response to the increase in children and families needs because of COVID. However, due to the pandemic there is an emerging risk of increased need for children to require a specialist intervention and becoming looked after; leading to placement costs being over and above those factored in the budget already. The Council holds both general and earmarked reserves which include contingencies to manage budget risk. To manage risk of significant rises in placement costs next year it is proposed that the Directorate's current underspend is placed in a reserve.

- **Legal Costs £1m** - Legal proceedings are taking 14 weeks longer than they did at pre-pandemic and due to this there is an increase in the reported overspend as additional external legal support is being commissioned from another council. An internal review of costs is currently underway to better understand and respond to reissued Public Law Outline (national guidance). It is anticipated that the learning from the review will help the Legal team and Children Services to manage down the current overspend. At this stage it is planned that the budget funding Children's solicitors and externalised legal will be moved to the area managing the solicitors and commissioning externalised legal support; this is anticipated to increase oversight and control of financial spend. A final decision on the necessary virements and budget adjustments will be proposed to Executive once the work has been finalised.

- **Home to School Transport** – Where a pupil is entitled to receive free home to school transport this is for the journey at the start and end of the school day. In response to representation from families the Council has launched a review of elements of the transport assistance offer and delivery of it. It is expected that the review recommendations will be known later in the year. There is a risk that the review recommendations will lead to additional expenditure. This would place additional pressure on the Children's Services budget.

- **School Improvement Grant – The School Improvement Grant,** £50m is allocated annually to Councils to provide school improvement for maintained schools. It is allocated based on the number of schools which continue to be maintained by the Council and covers an academic year. In 2021/22 Manchester's school improvement grant was £398k this covers 110 schools. In early January 2022, the Department of Education confirmed that it will cut the grant by 50% next year and remove 100% of the grant by April 2023. Manchester is seeking to manage to the 50% reduction in grant through efficiencies.

- **School Condition Surveys £100k -** The Council is committed to raising standards of attainment in all schools and believes that the quality of school premises plays a key part in achieving this aim. The survey should be undertaken every 5 years and would be used to: identify what work is needed to maintain the estate; consider how much works might cost; prioritise work within available funds, understand if the nature of the buildings change. This will also inform and ensure that the Council is in a stronger position to submit capital bids, such as the Priority School building programme. This investment will deliver improvements in conditions, reduce health and safety risks, and make a substantial contribution towards the Council's energy and carbon reduction targets. The surveys will be undertaken at community, voluntary controlled and foundation schools where the council is the responsible body. Surveys will be completed in batches with the first 10 schools per annum prioritised for a visit based on data, age of building and known issues.

Table Four – Subjective Analysis 2021/22 - 2022/23

	2021/22 Budget	**2022/23 Indicative Budget**
Subjective Heading	**£'000**	**£'000**
Expenditure:		
Employees	60,005	59,879
Running Expenses	429,091	459,868
Capital Financing Costs	-	-
Contribution to reserves	51	52
Total Subjective Expenditure	489,147	519,799
Less: Other Internal Sales	-	-
Gross Expenditure	489,147	519,799
Income:		
Government Grants	352,552	380,440
Contributions from Reserves	10,552	2,966
Other Grants Reimbursements and Contributions	6,050	6,050
Customer and Client Receipts	1,275	1,275
Other Income	47	47
Total Net Budget	**118,701**	**129,021**

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Appendix two - Dedicated Schools Grant

The Dedicated Schools Grant (DSG) for 2022/23 £627.682m. Councils receive and manage the DSG within four blocks: schools, central school services, high needs and early years. A large proportion of this is paid directly to schools and other settings to provide for the majority of education services. A proportion of the DSG is provided for local authorities to deliver education services.

There has been an overall increase in DSG since last year of £25.055m, the table below details the movement compared to last year:

- **£19.944m** of the change is due to increases in the grant formula. £9.990m increase in the school block and £8.746m uplift in the high needs block. Part of this increase is due to the city having greater need, free school meals pupils have increased by further 3.9% since last year, which is given a heavier weighting in the formula. Early years block increase of £1.368m relates to increase in hourly rates for early years. Central services block has reduced by £160k

- **£4.865m** of the increase relates to increases in pupil numbers

- **£246k** increase in growth fund, for new and expanding schools. Increase is based on pupil growth between October 2020 and October 2021 and increases to unit funding rates.

Table two: Dedicated Schools Grant

DSG 2022/23 v. 2021/22					
	Schools	**Central School Services**	**High Needs**	**Early Years**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**
2022/23	475.054	3.796	110.024	38.808	627.682
2021/22	456.200	3.902	100.584	41.942	602.627
Difference	**18.853**	**-0.105**	**9.441**	**-3.134**	**25.055**
The difference is a result of the change in £m:					
Formula	9.990	-0.161	8.746	1.368	19.944
Pupil Numbers	8.617	0.055	0.695	-4.502	4.865
Growth Fund	0.246				0.246
Difference	**18.853**	**-0.105**	**9.441**	**-3.134**	**25.055**

The DSG arrangements 2022/23 are the same as 2021/22, the grant will continue to be allocated in the four blocks, as shown on the table below. £582.659m of the overall DSG will be allocated individual school budgets and £45.023m retained centrally by the authority.

Table three: Dedicated Schools Grant Individual Schools and Retained School Budget

Block	Schools	Central Services Schools	High Needs	Early Years	
Retained School Budgets	1.861	3.796	37.226	0.940	**4.823**
Individual School Budgets	473.193	0	72.798	37.868	**583.859**
DSG 2022/23	**475.054**	**3.796**	**110.024**	**38.808**	**627.682**
Retained School Budgets	1.1	3.902	33.884	1.569	**40.455**
Individual School Budgets	455.1	0	66.699	40.372	**562.171**
DSG 2021/22	**456.200**	**3.902**	**100.583**	**41.942**	**602.627**

In January 2022 the Executive approved changing the basis for the funding allocation across individual primary and secondary school budgets, in order to allow schools a longer adjustment period before introduction of the direct national funding formula. Consultation has been undertaken with all schools and through Schools Forum meetings in September and November 2021. The proposed Schools Budget for 2022/23 has been agreed in consultation with Schools Forum on the 18th January 2022, the budget included the following changes:

- All Manchester primary and secondary schools should receive a per pupil increase between 2% minimum and up to 3.2% on pupil-led funding.
- Central services school block funding has reduced on a per pupil basis by 2.5% despite there being no reduction in functions councils are required to provide.
- The high needs block has increased by £9.441m in 2022/23, this should enable the Council to manage existing and anticipated pressures next year, in addition to being able to cover most of the previous year shortfall. Although the planned recovery was not achieved last financial year the Council is confident at this stage that most of deficit can be recovered 2022/23 and the residual recovered by year three, 2023/24 as planned.
- Early year rates have increased by 21p and 17p per hour in the two-year-old and three and four-year old offer respectively. Final notifications of the adjustment to funding of the two-year-old and the three and four-year-old offer will be received in July 2022 and July 2023.

Appendix three – Capital budget and pipeline priorities

The current forecast for the approved capital programme, as at period 9 in 2021/22, is shown below alongside the funding to be used. Details on potential future investment opportunities are also shown, but these remain subject to approval.

Approved Capital Programme

Service Area	2021/22	2022/23	2023/24	2024/25	Total
	£'000	£'000	£'000	£'000	£'000
Basic Need grant for school places	23,954	31,580	24,671		80,205
School Maintenance programme	5,106	2,836			7,942
Other	2,045	3,242			5,287
Total	**31,108**	**37,658**	**24,671**	**0**	**93,434**

Funding of Approved Capital Programme

Service Area	2021/22	2022/23	2023/24	2024/25	Total
	£'000	£'000	£'000	£'000	£'000
Grant	30,473	34,297	24,671		89,441
External contributions		2,700			2,700
Revenue Contribution to Capital	65				65
Capital Receipts	540				540
Borrowing	27	661			688
Total	**31,105**	**37,658**	**24,671**	**0**	**93,434**

Future Investment Priorities

The following projects are potential future investment opportunities, which may be brought forward in the future:

- Future school place demand will continue to be monitored, alongside any further Free School Programme approvals, to ensure that the Council meets its statutory duty to provide sufficient places. This may be in the form of new school builds or expansions to existing schools.
- School maintenance projects will continue using the government grant provided. The projects to be undertaken will consider the condition of school buildings.

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Manchester City Council
Report for Resolution

Report to: Health Scrutiny Committee – 9 February 2022
Executive – 16 February 2022

Subject: Health and Social Care - Adult Social Care and Population Health Budget 2022/23

Report of: Executive Director Adult Social Services and Director of Public Health

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Summary

Following the Spending Review announcements and provisional local government finance settlement 2022/23 the Council is forecasting a balanced budget for 2022/23, a gap of £37m in 2023/24 and £58m by 2024/25. This report sets out the high-level position.

The finance settlement was towards the positive end of forecasts and no actions beyond those outlined in November are required to balance next year's budget. As reported to November Scrutiny meeting officers identified savings and mitigations totalling c£7.7m which are subject to approval.

The settlement was for one year only and considerable uncertainty remains from 2023/24. A longer-term strategy to close the budget gap is being prepared with an estimated requirement to find budget cuts and savings in the region of £30m per annum for 2023/24 and 2024/25. In addition, £30m of risk-based reserves have been identified as available to manage risk and timing differences in expenditure and funding.

This report also updates the Committee on the funding position of the Health system, which is still awaiting its financial planning guidance and funding envelop for 2022/23. As a result there are a number of unknowns in terms of spending plans for the Manchester Health and Social care system for 2022/23. The report highlights the latest known position along with key risks.

Appended are the priorities for the services in the remit of this committee, details on the initial revenue budget changes proposed by officers and the planned capital programme.

Recommendations

The committee is recommended to:

1. Note the forecast medium term revenue budget position

2. Consider the content of this report and comment on the proposed changes which are relevant to the remit of this scrutiny committee
3. Note the aspiration for the Council to ensure that all care contracts pay their staff the Real Living Wage and to use the opportunity of the market sustainability review to help deliver on this.

The Executive is recommended to approve these budget proposals

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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 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	

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

- Equal Opportunities
- Risk Management
- Legal Considerations

Financial Consequences Revenue

The changes included within this report are officer proposals and, subject to Member comments and consultation, these will be included as part of the 2022/23 budget preparation.

Financial Consequences – Capital

None directly arising from this report.

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Background documents (available for public inspection):

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

Adult Social Care and Population Health Budget Report 2021/22 –
Executive 17th February 2021

Health Scrutiny Committee 10 November 2021

Executive – 17 January 2022 Subject: Provisional local government finance settlement 2022/23 and budget assumptions

1. Context and Background

1.1 Manchester Health and Social Care system financial plans are driven by both Local Authority funding announcements and National Health Service (NHS) financial planning guidance, as in previous years. The Health Planning guidance was received in December but only covered the operational aspects, the financial planning guidance is still being developed and has not yet been published.

1.2 The NHS reforms, which will see the replacement of the Greater Manchester CCGs with an Integrated Care System, have been delayed to 1 July 2022. This delay will result in a more fragmented budget process as funding will be allocated for the first quarter of the year via the current CCG system, and for the remaining three quarters via the new ICS. It is still anticipated that the Greater Manchester Integrated Care Board (MCIB) and Manchester Foundation Trust (MFT) will have approved budgets by 31st March 2022, however, the timing of final funding allocations is unknown. Whilst a move towards a more normal post covid NHS finance regime is anticipated, the details will not be confirmed until the guidance is published, and the implications will not be fully understood until work with system partners underway during February 2022.

1.3 There is a statutory requirement for Councils to set their budget by 11 March 2022 and for a consultation to have been carried out with local businesses. Whilst this will be challenging to fit with NHS timescales it is important that where possible the process allows for joint decisions between partners, particularly with regards to the Manchester Local Care Organisation (MLCO).

1.4 Whilst it will not be possible to have a fully integrated budget process for 2022/23 it is important to note the current arrangements. The MLCO is hosted by MFT. There is a Section 75 agreement between MFT and MCC allows for the delegation of ASC responsibilities to the MLCO Chief Executive and for some of the S151 Financial Responsibilities to the MLCO Finance Director. The S75 agreement includes an aligned budget for community health and Adult Social Care (ASC) and will continue for 2022/23. Ideally there would be a fully integrated budget process to support the MLCO position. With the uncertainty around the NHS reforms and the move to the Integrated Care System delayed until 1 July 2022, the impact for existing CCG funding and responsibilities, alongside the fundamental changes to the NHS planning round, mean that this is not going to be possible. It is also important to note the NHS funding regime is also going to look substantially different with a move away from the payments by results system.

1.5 For Population Health, the necessary focus on COVID-19 by the Director of Public Health (DPH) and the Population Health Team, means that 2022/23 will now be a transition year to ensure the appropriate delivery of population health services and associated budgets through the MLCO. The DPH has worked with the Chief Executive of the MLCO, Deputy Chief Executive and City Treasurer and MHCC Chief Finance Officer to develop the Transition Plan. During 2022/23 Population Health funding will continue to be managed by the City Council. In addition, it is important to note that a number of population health services have allocations from both MCC and MHCC and the Consultant in Public Health will work with MHCC Finance colleagues to support the budget setting process for 2022/23. Finally, the Director of Population Health will also maintain and manage resources for Health Protection and strategic public health functions and specific plans for sustainable health protection and support to the Manchester Partnership Board will also be developed.

1.6 For the above reasons, whilst this report will set out the latest draft position on the current aligned budget, it will focus on the MCC contribution to the aligned budget and the ASC and Population Health budgets.

1.7 On 27 October 2021, the Chancellor of the Exchequer, Rishi Sunak MP, delivered the Spending Review and Autumn budget 2021 to the House of Commons. The Spending Review sets the quantum of funding available for local government whilst the Finance Settlement, which followed on 16 December 2021, sets out the distribution to individual local authorities.

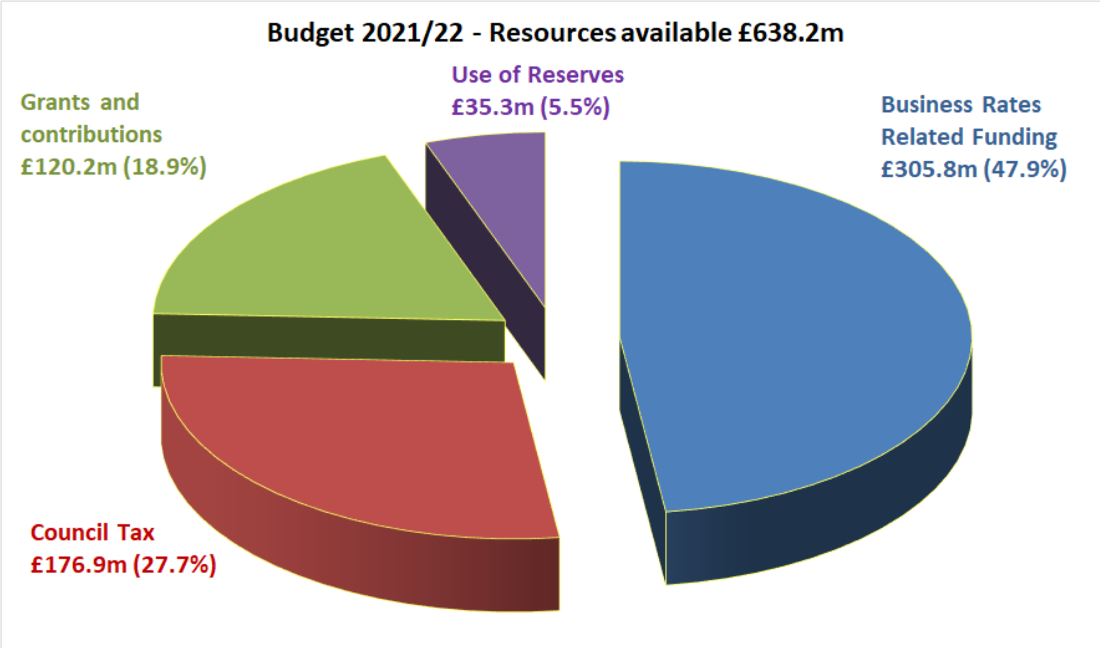
1.8 The finance settlement has been front loaded and includes a number of one-off distributions of funding. It is also a one-year settlement. Therefore, considerable uncertainty remains in relation to the position after 2022/23.

1.9 The Local government funding reform work will be restarted in the Spring. This means that the Fair Funding Review and baseline reset are both going to be under consideration again, for possible implementation in 2023-24. This will impact on how funding between different local authorities is distributed.

1.10 The final budget position for 2022/23 and beyond will be confirmed at February Executive. This will be after the key decisions confirming the Collection Fund position and Council Tax and Business Rates base have been made and the Final Finance Settlement is received. It is unlikely that there will be any significant changes to the Provisional Settlement.

1.11 The Council's 2021/22 net revenue budget is currently funded from four main sources which are Council Tax, Business Rates, government grants and contributions 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 resources raised locally has become even more important for financial sustainability and is integral to the Council's financial planning.

1.12 The following chart shows the current breakdown of resources available.



2. Current Council budget position

2.1 The indicative medium term position is shown in the table below, full details are provided in the settlement and budget report to 17 January Executive meeting.

	Revised 2021 / 22 £'000	2022 / 23 £'000	2023 / 24 £'000	2024 / 25 £'000
Resources Available				
Business Rates Related Funding	156,416	338,092	322,337	340,330
Council Tax	176,857	208,965	206,620	217,197
Grants and other External Funding	120,243	104,533	87,374	85,374
Use of Reserves	184,667	36,781	30,592	15,573
Total Resources Available	**638,183**	**688,371**	**646,923**	**658,474**
Resources Required				
Corporate Costs	120,232	133,058	110,211	114,849
Directorate Costs	517,951	555,313	573,494	601,172
Total Resources Required	**638,183**	**688,371**	**683,705**	**716,021**
Shortfall / (surplus)	**0**	**0**	**36,782**	**57,547**

2.2 The budget assumptions that underpin 2022/23 to 2024/25 include the commitments made as part of the 2021/22 budget process to fund ongoing demand pressures as well as provision to meet other known pressures such as inflation and any pay awards (estimated at 3% from 2022/23). Whilst this contributes to the scale of the budget gap it is important that a realistic budget is budget set which reflects ongoing cost and demand pressures.

2.3 Officers have identified options to balance the budget in 2022/23 which are subject to approval. The detail relevant to this scrutiny remit is included at Appendix 2. If these proposals are supported a balanced budget will be achieved. In addition, £30m of risk-based reserves have been identified as available to manage risk and timing differences in funding flows.

3. Scrutiny of the draft budget proposals and budget reports

3.1 The reports have been tailored to the remit of each scrutiny as shown in the table below. This Committee is invited to consider the proposed changes which are within its remit and to make recommendations to the Executive before it agrees to the final budget proposals in February 2022.

Date	Meeting	Services Included
8 February 2022	Resources and Governance Scrutiny Committee	Chief Executives Corporate Services Revenue and Benefits / Customer and Welfare Support Business Units
8 February 2022	Communities and Equalities Scrutiny Committee	Sport, Leisure, Events Libraries Galleries and Culture Compliance and Community Safety Housing Operations including Homelessness Neighbourhood teams
9 February 2022	Health Scrutiny Committee	Adult Social Care and Population Health
9 February 2022	Children and Young People Scrutiny Committee	Children and Education Services
10 February 2022	Environment and Climate Change Scrutiny Committee	Waste and Recycling Parks Grounds maintenance
10 February 2022	Economy Scrutiny Committee	City Centre Regeneration Strategic Development Housing and residential growth Planning, Building Control, and licensing Investment Estate Work and skills Highways

4. Next Steps

4.1 The proposed next steps are as follows:

- February Scrutiny Committees (8-10 February) and Executive (16 February) receive proposed budget
- Resources and Governance Budget Scrutiny – 28 February
- March Council - approval of 2022/23 budget - 4 March
- New Municipal Year – early options around 2023/24 & 2024/25 discussed with members

5. Conclusion

5.1 Overall the settlement announcements were towards the positive end of expectations. It is expected that mitigations in the region of £7.7m, as previously identified, will be sufficient to balance the 2022/23 budget.

5.2 Officers have estimated the future resources available based on the information available. This results in forecast gap of £37m in 2023/24 increasing to £58m in 2024/25.

5.3 The focus will now be on identifying savings and mitigations to keep the council on a sustainable financial footing. It is proposed that budget cuts and savings of £60m over three years are developed for member consideration. £60m equates to just under 12% of 2022/23 directorate budgets. In addition, £30m of risk-based reserves have been identified as available to manage risk and timing differences.

Appendix 1

1. Adult Social Care Priorities

1.1 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.

1.2 This support ranges from advice and information (minimal cost) to very intensive services. 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. Adults Eligibility: The Care and Support (Eligibility Criteria) Regulations 2014 sets out the eligibility criteria and determines the circumstances in which an adult meets the eligibility criteria.

1.3 In Manchester, we support a large number of Manchester residents with adult social care needs. At 31st December 2021 (latest complete figures) we supported:
- 5,366 older people (long term support to 65+)
- 2,960 younger adults (long term support to 18-64)

These figures include:
- 1,293 adults with learning disabilities (long term support)
- 775 adults with mental health needs (long term support)
- 6,422 of the people we support are living in the community
- 1,075 people in residential care
- 573 in nursing care

We provide:
- Homecare to 1,877 people
- Supported accommodation to 681 people
- Support via shared lives schemes to 183 people
- Support via an extra care scheme or neighbourhood apartment to 113 people
- Cash personal budget or Individual Service Fund to 654 people
- Day care to 337 people

Rolling 12 months (Jan-Dec 2021):
- 8,984 items of equipment and adaptations were installed/provided
- 7,270 blue badges were issued
- 1,612 people benefitted from our core reablement service
- 1,512 carers were assessed
- 6,203 safeguarding enquiries were opened for individuals

1.4 Adult Social Care in Manchester is deployed into the Manchester Local Care Organisation (MLCO) alongside delivery of community health services in the city which is governed via a section 75 agreement between MCC and Manchester University NHS Foundation Trust (MFT). This agreement was approved in August 2021 and deploys responsibility for all Adult Social Care services into MLCO including delivery of our assessment function, safeguarding, our in house provider services and the commissioning of the external market to meet assessed need. The responsibility for assessment and safeguarding in mental health lies with Greater Manchester Mental Health NHS Foundation Trust (GMMH) via a separate section 75 agreement.

1.5 The section 75 agreement between MCC and MFT includes a Financial Framework which sets out the approach to the management of an ‘aligned’ budget across MCC and MFT for the services in scope of the MLCO. The ASC budget referred to in this report constitute the MCC contribution to the aligned budget.

1.6 The fundamental priority for Adult Social Care in 2022/23 remains the safe, effective delivery of our statutory duties as outlined above in the Care Act as well as our duties in the Mental Capacity Act and the Mental Health Act.

1.7 In January 2021 we commenced delivery of a major transformation programme, building on the Adult Social Care Improvement Programme – Better Outcomes, Better Lives. Better Outcomes, Better Lives is long-term programme of practice-led change, which aims to enable the people of Manchester to achieve better outcomes with the result of less dependence on formal care.

1.8 The programme is central to delivery of savings in 2021/22, 2022/23 and 2023/24. As described earlier in the paper, the programme has delivered evidence based improvements and embedding of the strengths based approach, and together with other interventions ensured effective demand management in 2021/22 (with the number of citizens supported in residential and nursing staying fairly steady, and the number of citizens in receipt of homecare reducing). However, there have been staff recruitment challenges which has made the focus on strength based reviews challenging as well as ongoing focus on the pandemic throughout 2021 having an impact on some of the delivery of the programme.

1.9 Given the positive work so far, and the continued opportunities, our work on Better Outcomes, Better Lives will continue in 2022/23 with an accelerated focus on two additional workstreams in ‘phase 2’. These have been identified in particular to work alongside the existing workstreams to ensure that demand coming into teams is managed. This will ensure the teams can focus on the work on further embedding our strengths-based approach:

Early Help/ASC Front Door - The number of new contacts that we receive through the Contact Centre is much higher than we would normally expect to see at this time of year, and are consistently above the three year average. This is likely driven by the Covid-19 pandemic and is putting considerable pressure on our services. The purpose of the Early Help workstream is to ease some of these pressures. This work is well underway now and includes work together with Contact Centre staff and work with our Multi-Agency Safeguarding Hub (MASH)

See and Solve (Transforming Community Teams) – The purpose of see and solve will be to address entrenched system barriers that get in the way of practitioners taking decisions which empower residents and build on their strengths. This work will focus most intensively on our learning disability services initially given the complexity of demand and the high costs of support and will align to our commissioning plan. This will directly support the work to ensure we are supporting people with complex needs in the most appropriate way, starting from a strengths based approach

1.10 As part of phase 2 we are also developing a full Equalities Impact Assessment for the programme starting with understanding the equalities impacts for each workstream. This will give us insight into ensuring that our work supports our wider vision in health and social care to reduce health inequalities in the city. This work is well underway now. Health Scrutiny will be further updated at a future update on the BOBL programme.

1.11 Aligned to our work on Better Outcomes, Better Lives we will continuing to be focused on:

- Ensuring we have the **right internal capacity** to support all of our work including assessment capacity on a permanent basis (including qualified social workers) and project/programme management and change capacity. The support to recruitment described above is critical to this
- Supporting hospital demand through the **MLCO Control Room and our discharge to assess work,** ensuring that we continue to see positive outcomes from the model on the number of people accessing long-term care following hospital discharge
- Strengthening our work to **safeguard adults**, which we have now aligned to our BOBL programme
- Reviewing our **in-house provider services** (primarily supporting people with learning disabilities), aligned to our strengthened approach to commissioning and work with LD assessment services as described above, ensuring that these services are supporting our demand management strategy and delivering the very best outcomes, including consideration of capital requirements. A key immediate focus for these services is also recruitment alongside completion of critical fire safety works to ensure additional costs associated with waking nights are minimized into 2022/23
- Strengthening our **partnership arrangements with GMMH** through the new section 75 arrangements which will be concluded in 2022
- Working with colleagues in Housing and other partners to ensure the right supply of **housing and accommodation for vulnerable adults** in the city

- Continuing to **support the care market intensively** (including homecare and care homes), particularly given significant recruitment and retention challenges, aligned to our Commissioning Plan and performance and quality regime.

1.12 In July 2022 Manchester Health and Care Commissioning (MHCC) – the CCG in Manchester, will cease to exist with responsibility for health commissioning moving to the newly formed Greater Manchester Integrated Care System (ICS). ASC within the MLCO will be working with colleagues to ensure that this change is beneficial for Manchester residents and that we are continuing to work to strengthen the MLCO and maximising opportunities for integration including in our collective commissioning of the external market.

2. Population Health

2.1 The position in 2021/22 regarding the public health contracts with local authorities and the associated pay costs with the NHS pay rises is that the NHS providers have been given advice not to pass on this cost for this financial year. As per the NHS guidance for H2 21/22 "Funding will also be provided to systems to support the pay pressures on those parts of providers' cost base which would usually be covered by local authority (LA) and Health Education England (HEE) income." Therefore, there won't be any additional funding to local government this year. The guidance is awaited regarding the funding of NHS pay awards in 2022/23. The Council will passport any additional funding received for the pay award.

2.2 As per the Spending Review, the public health grant will remain the same in real terms which will significantly undermine the ability of local systems to reduce health inequalities without further investment in prevention by the NHS.

Population Health Budget and Priorities

2.3 The Population Health (PH) commissioning and strategic role is set out in the Manchester Population Health Plan (PHP), the City's overarching plan for reducing health inequalities and improving health outcomes for residents across the lifecourse. The PHP is undergoing a re-fresh to take account of the social and economic impact which COVID-19 has had in further exacerbating the health inequalities in the city.

2.4 The Population Health Team's priorities for 2022-23 are to:

- Develop a resilient health protection function, including clinical management of outbreaks, addressing environmental determinants of health, and addressing climate action priorities
- Develop a population health recovery programme
- Support commissioned public health services in their recovery programmes

2.5 The Manchester Population Health Team continues to lead the City's ongoing public health response to COVID-19, as set out in the 12 Point Action Plan, which is updated regularly. 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.

2.6 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 £38m. These services address health impacts upstream to reduce demand on more expensive health and social care services. 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.

2.7 The Population Health Team has provided recovery funding across all the commissioned services in 2021-22. This funding has been used to help address backlogs, such as childhood immunisations and weight management clinic waiting lists, and address and support health improvement measures such as increasing participation in physical activity across all age groups in the city.

2.8 Due to the ongoing impacts of COVID-19 on the city and its' residents the Population Health Team are managing major programmes of service delivery in both the continued response to COVID-19 and supporting recovery from the pandemic, this includes driving the work in response to the Marmot Building Back Fairer report. A Task Group has now been established, chaired by the Director of Public Health, that will lead the development of an action plan for the city to address the wider determinants of health.

2.9 Due to the capacity challenges of COVID-19 the work on the overarching Wellbeing Model for 2022, which will bring all health improvement services together in an integrated way, has been delayed. A new citywide service is planned to be commissioned to start delivery in January 2023. This model will deliver a significant return on investment over a longer-term timeframe and improve health outcomes for residents.

2.10 The key metrics for commissioned services include:

- Delivery of the National Healthy Child Programme- stages of development checks (Health Visiting) and the National Child Measurement Programme (NCMP)- years 1 and 6 (School Nursing)
- The Be Well Service measures outcomes for service users in terms of physical and mental health and wellbeing, work-related health and connection to community networks working with a target population of individuals from the most deprived areas within the city, and individuals from diverse backgrounds. Other wellbeing services measure smoking

quitters, smoking in pregnancy, increase in physical activity and delivery of health checks in primary care.
- Rates of HIV, syphilis and gonorrhoea, and provision of long-acting reversible contraception (LARC) in primary care and sexual health service providers
- Successful drug and alcohol treatment completions, successful completed treatments in the latest 12-month period re-presenting within 6 months, and percentage of clients waiting over three weeks to start first intervention

2.11 The health of the people in Manchester has generally been worse than the England average across a range of outcome measures with a worsening of health outcomes in Manchester starting to become apparent in the years prior to the start of the Coronavirus (COVID-19) pandemic in 2020. The pandemic has had the effect of accelerating and strengthening that pre-existing trend. Recently published data on life expectancy at birth over time in Manchester compared with England shows that life expectancy has fallen (i.e., got worse) for both males and females in Manchester in the 3-year period 2018-20 compared with the previous period of 2017-19.

2.12 The priority for 2021-22 has been to support commissioned services in their recovery from the impact of the pandemic on their service delivery and their clients. In addition, we have begun to develop a Population Health Recovery Framework based on the following three pillars:
- Healthy People (recognises the impact of social disadvantage and socio-economic circumstances on health outcomes)
- Healthy Places (recognises the geographical inequalities within Manchester and between Manchester and other parts of the region and country)
- Health Equity (recognises the groups of people and communities that face additional multiple and compounding barriers, prejudice or discrimination owing to factors such as race, sexual orientation, disability, and migrant status)

A re-fresh of the Population Health Plan is also underway to reflect the impact of the pandemic on the city's health and wellbeing and the exacerbation of health inequalities for our residents.

2.13 The key actions in tackling diversity and inclusion will be led by the Manchester Population Health Recovery Framework which will support the delivery of the Population Health Plan with a focus on three pillars of work within the context of the COVID-19 pandemic. Each pillar has a "flagship" programme of activity to address the root causes and wider determinants of health inequalities alongside the broader partnership working to create the conditions for healthy lives.

2.14 The three "flagship" programmes are:

- Healthy People- Manchester's Wellbeing Model to improve the wellbeing of Manchester's residents based on the level of support people need to look after their own health and wellbeing
- Healthy Places- Winning Hearts and Minds to work in, and with, communities to improve heart and mental health across the city, with a particular focus on North Manchester
- Health Equity- COVID-19 Health Equity Manchester to address the disproportionate adverse impact of COVID-19 on specific communities in Manchester and ensure the legacy of COVID-19 is that lessons learned are implemented and improve the broader health outcomes of these communities

2.15 As the Committee is aware the Director of Public Health will build on this work and lead a Citywide Task Group to ensure the recommendations from the Marmot review: 'Build Back Fairer in Greater Manchester: Health Equity and Dignified Lives' are implemented and the agreed Marmot Beacon Indicators are monitored by the relevant Scrutiny Committee.

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Appendix 2

The MCC Adult Social Care (ASC) Budget and MLCO Aligned Budget

1. Introduction

1.1 The MLCO aligned budget brings together MCC Adult Social Care budgets and MFT Community Health Budgets and allows visibility of spend across both with integrated reporting. The objective is to facilitate the best use of joint financial resources for the benefit of Manchester residents. Budget pressures and underspends remain the responsibility of the host organisation.

1.2 Whilst the Council's provisional financial settlement has been received, the Community Health funding envelope has yet to be allocated, which may have an impact on the final budget allocations to some of the aligned budgets.

1.3 This report outlines the resources available for the Adult Social Care and Population Health budgets to be agreed as part of the wider Council budget by the Executive in February 2022. The report also updates the Committee on the latest planning assumptions for the Community Health budgets.

2. Background to 2021/22 MLCO Adults Social Care (ASC) Budget

2.1 As part of the 2021/22 budget process a three year savings programme was agreed and additional funding was added to support the ongoing impact of covid-19.

2.2 The three-year Better Outcomes Better Lives (BOBL) programme supported a total savings target of £18.4m. Due to the timing differences between achieving the full year effect of planned BOBL savings and the budget savings required, £5.5m of non-recurrent health and social care system support was included in the 2021/22 budget, highlighted in Table 1.

Table 1 – Better Outcomes Better Lives – Savings Programme 2021/22 to 2023/24

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**

2.3 Significant additional investment was also agreed for the MLCO ASC budget. This included £13.464m additional ongoing funding to support ongoing impact of covid-19 and a £3.047m increase in budget made available for the costs of the national living wage and demographic demand changes. Funding was also provided to meet the costs of inflation.

2.4 During 2021/22 the £13.464m Covid funding was reviewed and £2.5m was removed from the budget in relation to PPE costs which were being covered by additional NHS funding. This budget was removed recurrently in year.

2.5 The report presented to the Health Scrutiny Committee and the Executive in November 2021, outlined that a further £2m of this funding could be removed in light of lower numbers of residential and nursing places than budgeted for. This proposal formed part of the £7.8m of options to close the budget gap for 2022/23.

2.6 These adjustments have been taken into account in arriving at the start budget for 2022/23.

3. Forecast Outturn 2021/22

3.1 The current financial year has proved to be a complex one, with the continuation of the pandemic through the emergence of the Delta variant in late 2020, extended restrictions through to the summer and the new omicron variant taking over in late 2021.

3.2 In terms of the impact on the budget, there has been a combination of:

- Delivery of the Better Outcomes, Better Lives transformation programme and the planned savings for 2021/22.
- The new care models that support the transformation and better management of demand are now in place, but a high proportion of the costs have been funded by one-off funding.
- High level of vacancies with difficulties filling posts in social work and in internal provider services (including reablement and supported accommodation).
- Significant impact of the pandemic - diverting capacity, distorted demand for services with at points in the year delays in assessments /reviews and urgent need to get people out of hospital. This has been supported by one-off funding to facilitate discharge as well as one-off funding to support care provider costs associated with responding to the pandemic.

3.3 Despite a number of challenges, significant progress has been made on implementing the required transformation and there has been very strong working across system partners. Whilst we have effectively managed demand in 21/22 (with continued lower than expected numbers in residential settings and for home care services), it will take some time to understand the longer term impacts on demand and cost.

3.4 These factors have combined to mean that the system support funding of £5.5m, outlined in Table 1, has not been needed in 2021/22, and will not be drawn down from reserves as planned.

3.5 The MLCO's forecast outturn position, as at month 9, without the system support funding, is summarised in the table below, highlighting a forecast underspend of £0.578m by the year end.

Table 2 – MLCO Aligned Budgets – Forecast Outturn 2021/22

	2021/22 Annual Budget £000's	2021/22 Forecast Outturn £000's	2021/22 Forecast Variance £000's
MLCO Aligned Budget:			
MLCO ASC - Provider Services	28,972	29,243	271
MLCO ASC - Commissioned Services	121,737	123,709	1,972
MCC ASC - Other	29,303	26,600	-2,703
Total ASC	***180,012***	***179,552***	***-460***
MLCO Community Health	104,167	104,049	-118
Total Community Health	***104,167***	***104,049***	***-118***
Total Aligned Budget	**284,179**	**283,601**	**-578**

3.6 Although the Community Health budget is forecast to break even for 2021/22, the control total for 2021/22 contains £4.6m of non-recurrent funding.

3.7 The Council funded budgets are managed by the Adults and Population Health Directorates and include services that are out of scope of the MLCO aligned budgets. For completeness Table 3 shows the Council budget position including the out of scope budgets and is showing a £0.543m underspend for 2021/22.

Table 3 – Adult Social Care and Population Health Forecast Outturn 2021/22

	2021/22 Annual Budget £000's	2021/22 Forecast Outturn £000's	2021/22 Forecast Variance £000's
Total ASC aligned budget	***180,012***	***179,552***	***-460***
Out of scope budgets:			
MCC - Population Health	42,704	42,704	0
MCC - Other	2,127	2,044	-83
Total Out of scope of the aligned budget	**44,831**	**44,748**	**-83**
Total ASC and Population Health	**224,843**	**224,300**	**-543**

3.8 The 2021/22 ASC budget was increased by £5.8m for one off Covid grants received in 2021/22 including the Infection Control Fund and the Workforce Recruitment and Retention Fund. Both the costs and funding for this will cease and the starting base budget to be rolled forward into 2022/23 is therefore £219m.

4. Progress on the Better Outcomes Better Lives (BOBL) Savings Programme

4.1 As outlined above the interplay of the continuation of the pandemic on demand levels and additional support through the health funded hospital discharge programme has meant the £5.5m of system support funding has not been required during 2021/22.

4.2 Overall, during 2021/22 the BOBL programme has delivered the planned £6.2m of savings. The system support was in place to support the phasing of when cashable savings were likely to be realised with the full years saving only realisable in 2022/23. Rather than using system support, the anticipated shortfall has been met through in year underspends. In 2022/23 the savings were planned to increase by £8.8m to £14.9m. Work carried out indicates that £9.4m of this will be achievable and the carried forward system support funding of £5.5m will be used to meet the gap.

4.3 A full review of the whole ASC budget and the BOBL programme is underway and will be fully evaluated in 2022/23 to establish what will be achievable for 2023/24 and what alternative measures may be required.

Table 4 – BOBL Progress

Original Plan - Savings Delivery	**2021/22 £'000**	**2022/23 £'000**	**2023/24 £'000**
Better Outcomes Better Lives	6,097	13,100	18,400
System Support	5,500	0	0
To be identified	0	1,823	0
Total	**11,597**	**14,923**	**18,400**

Progress - Savings Delivery	**2021/22 Actual £000's**	**2022/23 Plan £000's**	**2023/24 Plan £000's**
Savings Target	**11,597**	**14,923**	**18,400**
Savings Delivered/Plan	-6,197	-9,423	-18,400
System Support		-5,500	
HDP & Staffing Underspends	-5,400		
Total	**0**	**0**	**0**

4.4 A further efficiency has been applied to the 2022/23 budget of £0.56m. This is the ASC share of the £2m council saving and relates to a 1% increase to the vacancy factor to more accurately reflect the fact that many employees are not at the top of the grade and the current levels of turnover. Staffing budgets are forecast to underspend by £1.994m in 2021/22.

5 Planned Changes to the MLCO Aligned Budget for 2022/23

5.1 In 2021/22 as well as funding for demography, inflation and costs of the National Living Wage, £13.75m was added to the ASC budget to meet the estimated costs of ongoing demand from COVID-19. This has been adjusted in year to remove £2.5m costs of PPE that were separately funded, and as part of this budget process reduced by £2m for the overestimated impact of the pandemic on care home places.

5.2 A total of £8.25m will now be provided on an ongoing basis funded from council resources. This is already included in the opening budget figure.

5.3 In 2021/22 £2.690m was also provided on a one-off basis to:

- Create a reserve for public health to meet additional pressures in the year. This was not required in 2021/22 and remains available for 2022/23.
- £1.690m to meet additional costs for increased capacity within the in-house supported accommodation for people with Learning Disabilities (£1.1m) and one-off funding for additional capacity, including external support, of £0.600m to support the implementation of the Better Outcomes, Better Lives programme.

This £2.690m has been removed from the 2022/23 budget as planned.

6 Additional Funding for Adult Social Care and Budget Growth for 2022/23

6.1 The finance settlement included the following changes and increased the funding available for adults social care by £11.306m :

- The Council's spending power included the assumption that the 1% social care precept would be raised. A 1% increase generates c£1.9m. This combined with, improvements to Council Tax collection rates and an increase in the tax base due to new house building growth, has meant that this increases the amount attributable to the ASC precept to a total increase of £3.259m.
- The additional £1.6bn of national funding included £8.047m for social care and the costs for the 1.25% national insurance increase.

6.2 In addition direct funding of £2.7m was received and will be passed on directly to the Adults Social Care budget:

- £0.9m for inflation on the Better Care fund
- £1.8m via the 'social care levy' to fund the fair cost of care and associated preparatory work

6.3 Once the one off capacity funding od £2.690m from 2021/22 is removed, there is a net increase in external funding of £11.438m.

6.4 Table 5 illustrates the funding flows which support the ASC and Population Health budgets showing the fragmented funding streams that support Adult Social Care and Population Health.

6.5 There is a small increase in the overall core funding allocated to the Adults and Social Care budget to mainly cover the cost of the National Insurance increase. This brings the overall growth in investment into the Adults budget of £11.709m, of which £5.156m is being held corporately for the pending pay award (£1.636m) and the costs of inflation (£3.520m) yet to be allocated to the base budget.

Table 5 – ASC and Population Health Funding Flows

Adults and Population Health Funding Flows	**2021/22**	**2022/23**	**Change**
	£'000	**£'000**	**£'000**
Social Care Grant (Adults share)	15,316	23,363	8,047
Council Tax Adult Social Care precept	20,252	23,511	3,259
Improved Better Care Fund	30,815	31,747	932
Market Sustainability & Fair Cost of Care Fund	0	1,800	1,800
Government Grants	2,343	2,343	0
Client Contributions	21,505	21,505	0
Population Health External Contracts	2,279	2,279	0
One off capacity funding	2,690	0	-2,690
Sub Total	**95,200**	**106,548**	**11,348**
Funding via Manchester Clinical Commissioning Group (MCCG)			
Contribution from MHCC	4,000	4,000	0
Better Care Fund	17,103	17,103	0
Population Health	1,596	1,596	0
Resilience Related (incl IDT)	1,627	1,627	0
Mental Health Related	606	606	0
Continuing Health Care	2,083	2,083	0
MEAP	1,038	1,038	0
Other Income	257	257	0
Total MCCG Related	**28,310**	**28,310**	**0**
Core Funding	96,475	96,836	361
Total Net Funding	**219,986**	**231,695**	**11,709**
Adjustment for amounts held corporately / in reserve			
Indicative share of pay award funding	-955	-2,591	-1,636
Indicative share of price inflation		-3,520	-3,520
Total Net Funding within Pooled Budget	**219,031**	**225,584**	**6,553**

6.6 Table 6 summarises how the additional funding has been invested to support the service, alongside the corporately held budgets, the BOBL savings previously agreed alongside the unutilized system support funding carried forward from 2021/22.

6.7 The additional funding outlined above in addition to council budgets has funded the following specific areas and totals £13.129m:

- The costs for the National Living Wage (NLW) increase (£5.7m 22/23, £5.6m 23/24, £6.0m 24/25). An uplift to National Living Wage of 6.6% to £9.50 per hour was announced as part of the Spending Review.
- Increased demand associated with population growth (£2.2m 2022/23, £2.2m 2023/24, £2.6m 2024/25).
- £2.150m increase in recurrent budget through the mainstreaming of adults' investment to support the ongoing delivery of the ASC Improvement Plan. This was previously funded from reserves.
- National Insurance increase of 1.25% (£0.3m).
- The additional funding via the 'social care levy' or Market Sustainability and Fair Cost of Care Fund of £1.8m to fund the work required to implement the Fair Cost of Care and to contribute to an increase paid to providers
- The uplifting of the Improved Better Care Fund for inflation by £0.9m which will be used to fund some costs currently met by one-off funding as detailed later in the report.
- Whilst it is anticipated the Public Health Grant will receive a real-term uplift; the level of grant funding for 2022/23 has not been announced.

6.8 There is £10.656m of investment to cover the inflation and pay award costs of £5.516m and £5.5m of system support towards the BOBL programme, which is partially offset by the removal of the one off capacity funding highlighted in paragraph 5.3 of £2.690m, which has been removed from the 2022/23 budget.

6.9 This brings the total additional investment into the aligned budget to £21.095m, before the BOBL and vacancy factor savings of £9.386m are removed, giving a net increase to the Adults and Social Care budgets of £11.709m.

Table 6 – Changes to Budget 2022/23

	2022/23
	£,000
Funding to meet the costs of NLW increase to £9.50 hour	*5,731*
Increased demand linked to population growth	*2,222*
Mainstreaming funds from reserves to support the ASC Improvement Plan	*2,150*
Costs of the 1.2% national insurance increase	*294*
Sub Total	***10,397***
BCF Interest (used to fund mainstreaming of new care models)	*932*
Funding for Fair Cost of Care	*1,800*
Sub Total	***2,732***
Total Increase in Directorate Budgets	***13,129***
Funding to meet costs of pay award	*1,636*
Indicative Inflation Allocation	*3,520*

System Support	*5,500*
Increase in Adults Budget held Corporately	***10,656***
Less Removal of one-off investment	***(2,690)***
Total Investment	***21,095***
Less Savings*	*(9,386)*
Net increase in funding available	***11,709***

** Includes BOBL savings of £8.826m reduced by £5.5m of system support*

7 Mainstreaming the costs of the New Care Models

7.1 Part of the work to transform how adult social care is delivered and improve integration with community services included the establishment of a number of new interventions called the 'new care models' These contained a mix of additional social care provision that was proven to deliver better outcomes for residents and better value for money such as extra care schemes and reablement, commitment to fund multi disciplinary integrated neighbourhood teams, improved support to carers and improvements such as discharge to assess to more effectively support hospital discharge. Many of these were established using non-recurrent GM Transformation Funding, however, it was agreed as a partnership that costs could be incurred recurrently, for example by appointing permanent staff rather than fixed-term. It was expected that these costs would be covered in future years by "mainstreaming" the activities by reshaping services and resources to the new models of working, using the cashable benefits achieved and applying growth funding and system savings in other areas.

7.2 However, due to the financial regime within the NHS being focused on addressing the pandemic, the anticipated growth funding has not yet arrived and whilst there are some savings in other areas, this is only covering a very small proportion of the costs.

7.3 Progress has already been made in mainstreaming the new care models. The schemes which have had recurrent funding identified are:

- extra care expansion will continue to be part funded within existing ASC budget (£1.6m) and the Better Care Fund (£1.2m).
- Reablement expansion (£2.4m) and complex reablement (£0.4m) will continue to be funded from existing ASC budget provision

7.4 The 2022/23 budget includes proposals to mainstream the following from the additional BCF funding of £900k:

- Integrated Neighbourhood Team Leads (£0.447m)
- Integrated Neighbourhood Team Social Worker Team Managers (£0.511m), there are 12 INT Leads and it is proposed each partner will contribute 50% towards the total cost. The proposal is to use the uplift in the Improved Better Care Fund.

7.5 The two year funding for the original business case of £800k to provide additional support to carers is coming to an end. The revised pathway has been co-produced with the Carers Manchester VCS Network. It has been tested, refined and positively evaluated over a 2-year development programme period. The requirement for 22/23, pending ongoing discussions with the OM VCS Fund, is to use existing ASC budget released from no longer requiring consultancy fees, of £500k plus the unused 2020/21 funding allocation of £300k held in reserves.

7.6 The Discharge to Assess pilot is being expanded to 80 beds with a mix of nursing and residential provision; a strengthened community D2A team to co-ordinate flow and undertake assessments and an Enhanced Support Team providing training, tech support and expertise to D2A contracted care homes. The additional social care costs are estimated to be £1.535m. It is anticipated that these costs will be self funding from the reduction in demand by returning people home and avoiding costly care home placements

7.7 However the Costs associated with Health funding for Discharge to Access (£1.481m), the Crisis Response Team which provides in home emergency support to enable residents to stay in their own homes with wrap around support (£0.186m) and Manchester Case Management which manages complex medical cases for our most vulnerable residents (£0.285m) are subject to funding decisions once the Health financial planning guidance has been issued, and at this stage is not guaranteed. It is proposed that the costs are underwritten from the Integration Reserve. If the funding is not available then the services during the year to assess their ongoing value and will either need to cease or be met from a re-prioritisation of resources from other areas following the planned review of all the MLCO transformation programmes.

8 Client Contributions

8.1 The budget position reported throughout this report refers to the net cost of care and shows the budget net of client contributions towards the cost of their care package. Client contributions to the cost of care have remained relatively stable and it has been assumed that they will remain in line with existing client numbers and contributions rates. Typically, the total client contributions amount to £21m per annum and on average represent only 13.55% of the total fees paid to providers. These figures are monitored throughout the year.

8.2 The client contribution assumptions are updated annually each year in line with the benefit increases.

9 Social Care Reforms

9.1 At the Budget and Spending Review, the government has acknowledged its commitments to reform social care for the long term and announced £5.4 billion of additional funding to support the payment of a fair price to care providers for the cost of care and to introduce a cap on what people will need to pay for their care. This will be funded by the new £13bn a year Health and Social Care Levy. In

England this will introduce a cap of £86,000 for the cost that someone will pay towards their personal care, and expand the means tested support to people with less than £100,000 in relevant assets. At least £500 million from this package will fund investment in the skills, qualifications and wellbeing of the care workforce.

9.2 The 2022/23 Market Sustainability and Fair Cost of Care Fund is designed to ensure local authorities can prepare their care market for reform and move towards paying providers a fair cost of care, as appropriate to local circumstances. The Government expects local authorities will carry out activities including:

- conduct a cost of care exercise to determine the sustainable rates and identify how close they are to it;
- engage with local providers to improve data on operational costs and number of self-funders to better understand the impact of reform on the local market;
- strengthen capacity to plan for, and execute, greater market oversight and improved market management to ensure markets are well positioned to deliver on our reform ambitions; and
- use this additional funding to genuinely increase fee rates, as appropriate to local circumstances.

9.3 A further £600m is available for distribution in 2023/24 and another £600m in 2024/25. This is conditional upon the conclusion of the cost of care exercise, a publication of a provisional 3-year market sustainability plan on how councils intend to move to a sustainable rate fee and a grant spending report. The distribution of the funding will be decided upon the completion of this work with the funding targeted to those areas with the biggest funding differentials. It is unclear at this stage whether the level of funding will be sufficient.

9.4 The Market Sustainability and Fair Cost of Care funding is only a small proportion of that which will be raised via the £13bn per year ‘social care levy’. The table below shows the latest information available on how the £5.4bn allocated to Adults Social Care over the next 3 years will be utilised, of which £3.6bn will be directed through Local Government and £1.7bn for wider reform.

Table 8 – Adult Social Care Reform Funding

<table>
<tr><td colspan="9">Adult Social Care Reform Funding</td></tr>
<tr><td colspan="9">£5.4bn over 3 years on adult social care reform</td></tr>
<tr><td colspan="2">£3.6bn over 3 years directly to local government for the cap, means test, and fair cost of care</td><td colspan="7">£1.7bn over 3 years to improve wider social care system</td></tr>
<tr><td rowspan="2">£2.2bn over 3 years for the cap and means test
22/23: £0m
23/24: £800m
24/25: £1.4bn</td><td rowspan="2">£1.4bn over 3 years for fair cost of care:
22/23: £162m
23/24: £600m
24/25: £600m</td><td colspan="7">Funding commitments made in the People at the Heart of Care adult social care reform white paper:*</td></tr>
<tr><td>At least £300m to integrate housing</td><td>At least £150m for technology and digitisation</td><td>At least £500m for workforce training and qualifications</td><td>Up to £25m to support unpaid carers</td><td>£30m for innovation of support and care</td><td>At least £5m to help people understand care and support available</td><td>More than £70m to improve the delivery of care and support services</td></tr>
</table>

10 Commitment to Paying the Real Living Wage

10.1 MCC are a Real Living Wage (RLW) employer and have signed the Unison Adult Social Care charter. MCC are a significant provider of care, with a £28.6m budget for directly provided care. Additional investment has previously been provided to ensure that the home care and extra care providers can pay their workforce the RLW.

10.2 MCC are moving towards ensuring all care home providers can pay the full RLW and to understand the position across all of the care contracts.

10.3 The work to establish the fair cost of care, funded by the £1.8m grant will enable us to determine what a reasonable rate will be across social care providers and provide some additional funding for fee increases in 2022/23. The Council has already committed £5.7m for the uplift to the National Living Wage and the majority of the funding from DHSC of £1.8m will be used to fund the fee uplift this year.

10.4 By September the full position of the care market will be understood and the cost of moving to fully supporting payment of the RLW contracts across all social care markets will be known. Work will then start, including with social care providers to provide a costed implementation plan. It will then be delivered as soon as possible and form part of the 2023/24 budget process with a view to its full introduction by 1 April 2023 at the latest.

11 MFT Community Health Aligned Budgets 2022/23

11.1 Planning in the NHS is not yet complete, and final funding levels are not yet known, meaning the planning assumptions are subject to change. Table 9 below illustrates the latest draft version of the Community Health planning assumptions for the 2022/23 control total.

Table 9 - Changes to the MFT Budget Contribution to the Aligned Budget

	£'000
2021/22 Control Total	**104,167**
2021/22 Non Recurrent Income	-4,630
Decommissioning Intentions	-766
Long Covid Funding	690
Integrated (Stroke and Neuro) Specialist Community Rehabilitation Service	1,030
D2A Assessment Team	517
2022/23 Control Total – Draft	**101,008**

11.2 Additional funding has been confirmed to support Long Covid (2 years) and a new Integrated Stroke and Neuro Specialist Community Rehabilitation Service (recurrent). Manchester Foundation Trust is funding a Discharge to Assess (D2A) community assessment team (non-recurrently) in order to test the full benefits potential from the extended Discharge to Assess community bed pilot. Included in the control total is also £3m of Ageing Well at Home funding which was new in 2021/22 and assumed to be recurrent. This is supporting the delivery of a Crisis service across the city and a contribution to pro-active care, in line with the requirements associated with the funding.

11.3 The overall allocation of these resources will be reassessed with health partners once the NHS Finance Settlement has been received and NHS funding allocations are known, however it is expected that a significant savings programme of at least 3% will be required. A further update will be provided after the funding has been announced.

12 MLCO Transformation and Sustainability Programme

12.1 The MLCO is currently reviewing all of the programmes in the Transformation and Sustainability Programme. The scope of the current transformation portfolio is broad in that it includes short term change programmes focused on recovery of services following the pandemic (such as urgent care, end of life care pathways, district nursing and Allied Health Professional (AHP)), as well as longer term or multi-year programmes, such as Long Term Conditions, Neighbourhood working through the Integrated Neighbourhood Teams (INTs), IM&T and Better Outcomes Better Lives (BOBL).

12.2 The aim of the review is to ensure that all of the transformation programmes are delivering towards the strategic objectives of the MLCO and our partners, the Manchester locality plan and Our Manchester strategy, that they are properly resourced to deliver and most importantly that there are clear and agreed benefits that will be realised as a result of the work for residents, services and staff. The review is currently underway and expected to conclude by March 2022.

12.3 MLCO is undertaking a stock take of all of its community health services, originally planned to take place during 2021/22, but the rationale has been strengthened as a result of the pandemic. The aim is to build on the learning from the response of community services to the pandemic to ensure services are sustainable for the future within available financial resources and provide effective, efficient and consistent services to residents.

12.4 The outputs of the transformation portfolio review and the service stock take will inform the MLCO Transformation and Sustainability Plan that is planned to commence from April 2022. It should be noted that the Transformation and Sustainability Plan will build from the learning of the BOBL programme and will ensure the identification of interdependencies and opportunities for alignment with community health services across the work in ASC through BOBL and the wider priorities.

13 Conclusion

13.1 Overall, the proposals outlined above allow a balanced budget for Adult Social Care to be set. There remain a number of challenges in relation to the delivery of savings from the BOBL programme and the mainstreaming of the New Care Models that have been developed through the joint working through the MLCO. The proposed reforms to Adult Social Care in the context of significant challenges over a number of years nationally, also present a significant set of considerations for the service as it works with the market to create a sustainable care system.

13.2 Further work will take place throughout 2022/23 to work with the MLCO, MFT and the new ICS to further develop the integration of Health and Social Care, with the hope that the NHS reforms and recovery from the pandemic will support longer term financial planning across the system.

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Appendix 3 – Capital budget and pipeline priorities

The current approved capital programme, as at period 9 in 2021/22, is shown below alongside the funding to be used. Details on potential future investment opportunities are also shown, but these remain subject to approval.

Approved Capital Programme

Service Area	2021/22	2022/23	2023/24	2024/25	Total
	£'000	£'000	£'000	£'000	£'000
Gorton Health Hub	9,300	10,724			20,024
Locality Offices and Stepping Stones	206	255	66		527
Total	**9,506**	**10,979**	**66**	**0**	**20,551**

Funding of Approved Capital Programme

Service Area	2021/22	2022/23	2023/24	2024/25	Total
	£'000	£'000	£'000	£'000	£'000
Grant	150	190			340
External contributions					
Revenue Contribution to Capital	56	65	66		187
Capital Receipts					
Borrowing	9,300	10,724			20,024
Total	**9,506**	**10,979**	**66**	**0**	**20,551**

Future Investment Priorities

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.

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Manchester City Council
Report for Resolution

Report to: Resources and Governance 8 February 2022
Communities and Equalities Scrutiny Committee 8 February 2022
Environment and Climate Change Scrutiny Committee 10 February 2022
Economy Scrutiny Committee 10 February 2022
Executive – 16 February 2022

Subject: Neighborhood Directorate Budget 2022/23

Report of: Strategic Director Neighbourhoods

Purpose of Report

Following the Spending Review announcements and provisional local government finance settlement 2022/23 the Council is forecasting a balanced budget for 2022/23, a gap of £37m in 2023/24 and £58m by 2024/25. This report sets out the high-level position.

The finance settlement was towards the positive end of forecasts and no actions beyond those outlined in November are required to balance next year's budget.
As reported to November Scrutiny meeting officers identified savings and mitigations totalling c£7.7m which are subject to approval.

The settlement was for one year only and considerable uncertainty remains from 2023/24. A longer-term strategy to close the budget gap is being prepared with an estimated requirement to find budget cuts and savings in the region of £60m over the next three years. In addition, £30m of risk-based reserves have been identified as available to manage risk and timing differences

Appended are the priorities for the services in the remit of this committee, details on the initial revenue budget changes proposed by officers and the planned capital programme.

Recommendations

The committee is recommended to:

1. Note the forecast medium term revenue budget position
2. Consider the content of this report and comment on the proposed changes which are relevant to the remit of this scrutiny committee

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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	Providing the leadership and focus for the sustainable growth and transformation of the City's neighborhoods 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 changes included within this report are officer proposals and, subject to Member comments and consultation, these will be included as part of the 2022/23 budget preparation.

Financial Consequences – Capital

None directly arising from this report.

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

Neighbourhoods Directorate Budget Report 2021/22 – Executive 17th February 2021

Neighbourhoods Directorate Budget 2022/23 – Communities and Equalities Scrutiny Committee 9th November 2021

Executive – 17 January 2022 Subject: Provisional local government finance settlement 2022/23 and budget assumptions

1. Introduction and Context

1.1. On 27 October 2021, the Chancellor of the Exchequer, Rishi Sunak MP, delivered the Spending Review and Autumn budget 2021 to the House of Commons. The Spending Review sets the quantum of funding available for local government whilst the Finance Settlement, which followed on 16 December 2021, sets out the distribution to individual local authorities.

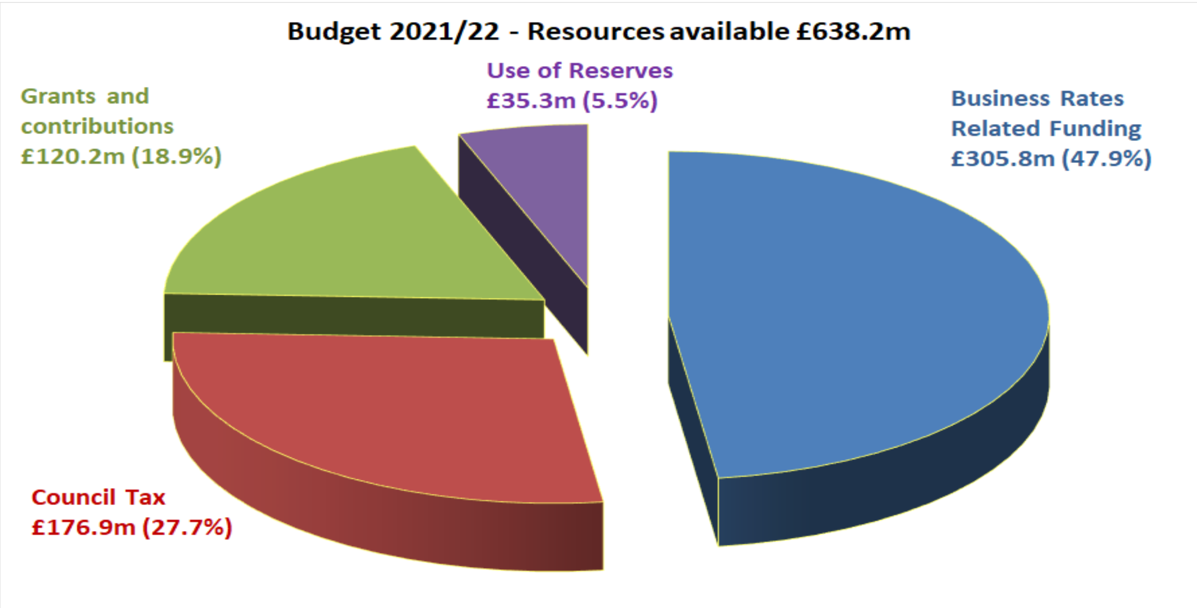
1.2. The finance settlement has been front loaded and includes a number of one-off distributions of funding. It is also a one-year settlement. Therefore, considerable uncertainty remains in relation to the position after 2022/23.

1.3. The Local government funding reform work will be restarted in the Spring. This means that the Fair Funding Review and baseline reset are both going to be under consideration again, for possible implementation in 2023/24. This will impact on how funding between different local authorities is distributed.

1.4. The final budget position for 2022/23 and beyond will be confirmed at February Executive. This will be after the key decisions confirming the Collection Fund position and Council Tax and Business Rates base have been made and the Final Finance Settlement is received. It is unlikely that there will be any significant changes to the Provisional Settlement.

1.5. The Council's 2021/22 net revenue budget is currently funded from four main sources which are Council Tax, Business Rates, government grants and contributions 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 resources raised locally has become even more important for financial sustainability and is integral to the Council's financial planning.

1.6. The following chart shows the current breakdown of resources available.



2. Current budget position

2.1. The indicative medium-term position is shown in the table below, full details are provided in the settlement and budget report to 17 January Executive meeting.

	Revised 2021 / 22 £'000	2022 / 23 £'000	2023 / 24 £'000	2024 / 25 £'000
Resources Available				
Business Rates Related Funding	156,416	338,092	322,337	340,330
Council Tax	176,857	208,965	206,620	217,197
Grants and other External Funding	120,243	104,533	87,374	85,374
Use of Reserves	184,667	36,781	30,592	15,573
Total Resources Available	**638,183**	**688,371**	**646,923**	**658,474**
Resources Required				
Corporate Costs	120,232	133,058	110,211	114,849
Directorate Costs	517,951	555,313	573,494	601,172
Total Resources Required	**638,183**	**688,371**	**683,705**	**716,021**
Shortfall / (surplus)	**0**	**0**	**36,782**	**57,547**

2.2. The budget assumptions that underpin 2022/23 to 2024/25 include the commitments made as part of the 2021/22 budget process to fund ongoing demand pressures as well as provision to meet other known pressures such as inflation and any pay awards (estimated at 3% from 2022/23). Whilst this contributes to the scale of the budget gap it is important that a realistic budget is set which reflects ongoing cost and demand pressures.

2.3. Officers have identified options to balance the budget in 2022/23 which are subject to approval. The detail relevant to this scrutiny remit is included at Appendix 2. If these proposals are supported a balanced budget will be achieved. In addition, £30m of risk-based reserves have been identified as available to manage risk and timing differences.

3. Scrutiny of the draft budget proposals and budget reports

3.1. Each scrutiny committee have considered the service proposals for areas in their remit as shown in the table below, and were invited to consider the proposed changes which are within its remit and to make recommendations to the Executive before it agrees to the final budget proposals in February 2022.

Date	Meeting	Services Included
8 February 2022	Resources and Governance Scrutiny Committee	Chief Executives Corporate Services Revenue and Benefits / Customer and Welfare Support Business Units

8 February 2022	Communities and Equalities Scrutiny Committee	Sport, Leisure, Events Libraries Galleries and Culture Compliance and Community Safety Housing Operations including Homelessness Neighbourhood working
9 February 2022	Health Scrutiny Committee	Adult Social Care and Population Health
9 February 2022	Children and Young People Scrutiny Committee	Children and Education Services Youth and Play
10 February 2022	Environment and Climate Change Scrutiny Committee	Waste and Recycling Parks Grounds maintenance
10 February 2022	Economy Scrutiny Committee	City Centre Regeneration Strategic Development Housing and residential growth Planning, Building Control, and licensing Investment Estate Work and skills Highways

4. Next Steps

4.1. The proposed next steps are as follows:

- February Scrutiny Committees (8-10 February) and Executive (16 February) receive proposed budget
- Resources and Governance Budget Scrutiny – (28 February)
- March Council - approval of 2022/23 budget – (4 March)
- New Municipal Year – early options around 2023/24 & 2024/25 discussed with members

5. Conclusion

5.1. Overall, the settlement announcements were towards the positive end of expectations. It is expected that mitigations in the region of £7.7m, as previously identified, will be sufficient to balance the 2022/23 budget.

5.2. Officers have estimated the future resources available based on the information available. This results in forecast gap of £37m in 2023/24 increasing to £58m in 2024/25.

5.3. The focus will now be on identifying savings and mitigations to keep the council on a sustainable financial footing. It is proposed that budget cuts and savings of £60m over three years are developed for member consideration. £60m equates to just under 12% of 2022/23 directorate budgets. In addition, £30m of risk-based reserves have been identified as available to manage risk and timing differences

Appendix 1 – Headline priorities for the services

Neighbourhood Services is the City Council's largest directorate with c.2,000 staff and includes a wide range of services, all working to improve the lives of Manchester residents and showcase the city to our millions of visitors every year. Our services work directly with the people of Manchester and together we want to make Manchester a better place to live, work and play.

We have committed, through the Our Manchester Strategy to creating clean, sustainable, safe, resilient, and cohesive neighbourhoods, with more affordable housing, good quality green spaces, and accessible cultural and leisure facilities. We will work with colleagues and partners to achieve our zero-carbon ambition by 2038 at the latest, through green growth, low- carbon energy, retrofitting of buildings, green infrastructure, and increasing climate resilience.

The Neighbourhood Directorate is made up of the following services:

Community Safety, Compliance and Enforcement

- Protect the public and the environment and keep citizens safe through reducing crime, safeguarding vulnerable people, building community resilience, and preventing vulnerable people from being drawn into extremism
- Enforce the law in a fair and consistent manner, helping businesses to meet their legal obligations and taking firm action against those who disregard the law or act irresponsibly.

***Priorities*:**
- Early Intervention and prevention remain a priority across community safety services to safeguard vulnerable people particularly given the increases in domestic violence and serious violent crime and those at risk of been drawn into crime and ASB (Antisocial Behaviour).
- Working with businesses, across a range of sectors to ensure Covid risks are managed, and risks mitigated.
- Managing backlogs created because of the redirection of staff onto covid work and temporary suspension of annual programmes of work e.g., Food Safety Interventions, HMO/Selective Licensing programmes, Shisha smoke free enforcement etc. This is challenging whilst covid related workload remains high. New duties e.g., Protect Duty in public spaces and new allergen related legislation as well as increased checks because of EU (European Union) exit will add to capacity challenges.
- Refresh community safety strategy and this work is underway.
- New duties related to serious violence expected to be enacted 2022

Housing Operations

Housing Operations comprises two of the council’s critical service areas - Homelessness and Housing Operations:

Homelessness

Preventing people from becoming homeless and supporting individuals and families who find themselves homeless to secure new permanent homes and better outcomes.

Priorities:

- Significantly increasing the prevention of homelessness in the first instance Improving the quality-of-service provision for people and families who find themselves homeless
- Reducing the cost of the service (£27m net per annum) by creating more innovative and sustainable housing options in temporary and permanent accommodation
- Delivering better outcomes for both families and single people

The Homelessness Transformation Programme will transform the delivery of homeless services and includes the workstreams below:

- Ending the routine use of B&B for families (households with children or pregnant household member), by changing the way we work and bringing forward the move into longer term accommodation for families.
- Redesigning the Homelessness Service through mapping and redesigning existing pathways and processes with an emphasis on increased prevention, improved customer journeys and outcomes, and reduced administration and failure demand.
- Undertake a comprehensive review of the Council's Temporary Accommodation provision and implement recommendations for service improvements and significantly reduced costs.
- Redesign of the Private Rented Sector (PRS) incentive scheme to increase the supply of PRS properties with an emphasis on homes in MCC (Manchester City Council).

Northwards Housing Operations

Housing Operations was previously managed by Northwards Housing and in July 2021 the service was brought back into the Council. The move sees the Council become the largest provider of social housing in the city, for the first time in 16 years providing good quality homes to and with local communities.

Priorities:

- Significantly improving the repairs and voids service to residents with our partner, EQUANS
- Implementing the Social Housing White Paper and forthcoming Building Safety Act
- Establishing the new governance/committee arrangements for 2022
- Developing Northwards Strategy with Residents & Partners
- Creating a sustainable HRA (Housing Revenue Account) 30 Year plan

- Establishing a new operating model to ensure delivery of key priorities and improved coordination with wider MCC (Manchester City Council)
- Delivering Zero Carbon Retrofit of the Northwards estate
- Establishing New Ways of Working – Digital, Modern, Human, Effective

Sport, Leisure and Events

Helping residents lead healthy, active lifestyles and bringing people together to enjoy their leisure time across the city. As part of our vision for Manchester to be in the topflight of world-class cities by 2025, our Sport, Leisure and Events teams deliver an exciting programme of work to support residents to become regularly active and reach their full potential.

Priorities:

- Continue to create great places for people to be active – £81m of capital Investment being invested into Abraham Moss, the National Cycling Centre, and the Manchester Aquatics Centre to modernise these facilities.
- Decarbonise the leisure estate – removing old boilers, lighting and heating systems and replacing them with energy efficient solutions.
- Working with leisure service providers to ensure that the Leisure services continue to recover, increase footfall and generate income to ensure a sustainable business model going forward.
- Managing supply chains shortages particularly shortages of security staff, trained stewards, delivery drivers, event infrastructure, plastics etc. All impacting on events and seasonal activity.
- Work is underway to explore additional financing solutions for new event content to stimulate economic recovery.
- The service has an annual sponsorship target of £0.95m to underpin the delivery of events, awards, and services. Due to the impact of Covid-19 on businesses a third of this is considered to be high risk.

Libraries, Galleries & Culture

Responsible for providing all the city-wide libraries, Information and archive services and Cultural activity which includes supporting Manchester Art Gallery and a range of cultural organisations across the city.

The service is operating across Central Library, 15 neighbourhood and 6 community libraries, a HM Prison library as well as the 'Books to Go' service for housebound library users

We lead on the library strategy and renewal programme, with 80% of Manchester libraries having been refurbished and co-located over the last ten years. We develop the Manchester standard for national, regional and Greater Manchester library initiatives, supporting the Universal Public Library Offers (digital, health, information, learning and reading) as well as working closely with several city-wide and local partners

***Priorities*:**

- Reawakening of the city centre - currently reduced footfall at Central Library, need return of tourists, students, and office workers, developing a channel plan and strong cultural programme to reconnect and introduce to new residents.
- Income generation and fundraising challenging across Libraries, Galleries and Culture.
- External funding - Arts Council bids developed/Ing for Libraries, Galleries and Culture capital projects and monitoring other opportunities.
- Civic Quarter Cultural Offer including Our Town Hall Visitor Experience.
- Capital Programme - c£7m libraries incl new Abraham Moss, Gorton, refurbed Chorlton, Central Library and District Library refresh, £1.87m Galleries and several Cultural schemes being developed.
- The Factory.
- MADE – Manchester Cultural Education Partnership and Joint Audiences programme

Neighbourhood Teams

Neighbourhood teams (North, Central, and South) are responsible for the management and development of the neighbourhoods, and for making sure that services delivered at a neighbourhood level maintain a strong place-based focus by working closely with local organisations.

Priorities:

- Continue to drive forward the Bringing Services Together for People in Places model through working with partners to deliver priorities in place. Focus on post Covid recovery and working to develop an early help offer for adults.
- Continue to work with residents, VCSE, elected members and partner organisations to improve neighbourhoods – aiming to make neighbourhoods cleaner, safer and more vibrant.
- Build resilience in and celebrate neighbourhoods - take actions to build on the capacity and capability of communities to grow, thrive and support communities to recover post COVID.
- Support economic growth activity such as Victoria North, NMGH, Wythenshawe Hospital, Etihad Campus and Eastern Gateway to ensure new and existing residents are engaged and involved.
- Manage resources - take actions to manage existing resources well and work with partners to increase resources/ funding in neighbourhoods
- Work with residents and community groups at grass roots level to put in place actions that support the city's ambition to reach net zero by 2038.

<u>Commercial & Operations</u>

Operational Services

Waste Recycling & Street Cleansing – work with the collections provider to improve street cleansing standards across the city and reduce bin collection issues, Work with Neighbourhood Teams, Neighbourhood Compliance Teams, and other services to develop, coordinate, and monitor a range of programmes and activities to encourage residents and businesses to manage their waste legitimately.

Grounds Maintenance - work across the city, tending to parks, roadsides and green spaces.

Priorities:
- Improving the quality of services provided by the waste contractor in relation to passageway collections and cleansing, litter bins, abandoned bins and wheeled bin returns.
- Developing differential approaches to waste management within the city to better respond to local demands.
- Implementing proposals from the English Waste and Resources Strategy expected in 2022.
- Further integration of operational services to support the development of biodiversity measures, reduce fault lines between services and support the continuous reduction in the use of pesticides / herbicides.
- Review of depots and operational requirements in conjunction with development proposals and property issues.

Parks

As part of our vision for Manchester to be in the topflight of world-class cities by 2025, our Parks team ensure that residents and visitors can regularly enjoy relaxation and sports in green, open spaces, parks, and riversides - rich in wildlife. This contributes to helping residents lead healthy, active lifestyles and bringing people together to enjoy their leisure time across the city.

Priorities:
- Ensure that Parks are the heart of all neighbourhoods
- Look after them and run them to good standards
- Make parks vibrant parts of vibrant communities
- Partner-up in new, fruitful ways with organisations and communities who care to deliver improvements, investment, and savings.
- In response to COVID-19 - ensure parks remain safe and accessible; and manage supply chains shortages particularly shortages of security staff, trained stewards, delivery drivers, event infrastructure, plastics etc. In order to minimise impacting on events and activity.

Commercial and Operations
- Markets – traditional, local, wholesale and specialist markets.
- Pest Control - tailored service for domestic and business premises to treat, monitor and eradicate pests.
- Bereavement Services - Manchester’s five cemeteries and one crematorium (at Blackley) manage some 3,000 funerals a year, working seven days a week to meet the needs of the city’s diverse cultural communities.

Priorities:
- Investment in New Smithfield Market – business case being prepared.

- Markets – Investment proposals for Gorton and Longsight prepared for potential inclusion in Levelling-Up fund bids.

Highway Service
The Highways Service works to improve the city's road networks and public spaces, delivering a range of work that keeps traffic flowing, maintains the public realm and designs major new highway schemes to benefit residents and visitors in Manchester.

The Highways Service is made up of several teams:
- Markets – Investment proposals for Gorton and Longsight prepared for potential inclusion in Levelling-Up fund bids
- Network Management - keeping the city moving, managing parking, traffic, and other aspects of road safety.
- Design, Commissioning and Project Management Team (PMO) - managing and developing our highways.
- Public Realm - maintaining monuments, water features and more

Priorities:
- Keeping highway users safe
- Reducing congestion and supporting business and economic recovery
- Supporting active travel options of walking and cycling
- Delivering a programme of highway improvements

Appendix 2 - Revenue Budget Strategy

The Neighbourhood Directorate has a gross budget of c£227.9m and a net budget of c£91.5m, with 2,018 budgeted FTE's. This is net of the £6.683m savings that were approved as part of the 2021/22 budget process.

This now includes operational housing which is the cost of managing and maintaining the housing stock following the bringing in house of Northwards with effect from July 2021. The operational housing gross budget is c.£22m, which is funded entirely through the ringfenced Housing Revenue Account, so is a net nil cost to the Council's general fund budget.

Table 1

	2021/22 Gross Budget	2021/22 Net Budget	2021/22 Budgeted Posts (FTE)	
	£'000	£'000	£'000	
Leisure, Events and Youth	19,627	6,122	27	
Compliance and Community Safety	15,674	10,310	283	
Libraries, Galleries and Culture	12,851	9,312	268	
Management and Directorate Support	1,253	1,093	19	
Neighbourhood Area Teams & Other Neighbourhoods	5,043	3,208	58	
Northwards Housing Operations	22,112	0	299	
Homelessness	61,683	27,403	303	
Waste and Street Cleaning	24,655	21,197	13	
Grounds Maintenance	4,639	3,841	101	
Parks and Green Spaces	3,608	1,991	62	
Advertising	63	(4,175)	0	
Business Units	24,007	(1,933)	351	
Highways	32,665	13,117	234	
Grand Total Exc Waste Levy	**227,880**	**91,486**	**2,018**	
Waste Levy	28,731	28,731	0	
Grand Total	**256,611**	**120,217**	**2,018**	

Changes to the 2022/23 Budget

Approved 2022/23 Savings

Members will recall that the 2021/22 approved City Council budget identified over £48m savings over the three years 2021/22 - 2023/24. There were an initial £6.683m savings profiled for 2021/22 and most of these are on track to be achieved. A further net £493k savings are profiled for 2022/23 and details are set out below:

- Leisure Services **£155k to** be achieved through a combination of increased collaboration with other Leisure providers, and increased income.
- Compliance & Community Safety one off savings of **(£137k)** being reversed after time limited use of external grant funding.
- Parks **£100k** to be achieved through increased income following ongoing investment to improve parks assets and increase commercial opportunities.
- **£225k** advertising income from the proposed screen in Piccadilly Garden. This was not delivered during 2021/22 and revised plans to meet the advertising income budget target are being developed.
- Highways **£150k** further reduction in the accidents and trips budget to reflect the lower volume of claims against the Council due to the improvements to the roads and footways because of the ongoing investment.

Demand and Demographic Growth Pressures

As part of the 2021/22 budget setting process ongoing demographic funding for Homelessness had been included for 2022/23 at £1.7m, increasing to £6.7m by 2024/25. In addition, a further £7m was added to the initial 2021/22 budget to reflect the additional impact of covid-19 on demand for homelessness services, in anticipation of the impact of the removal of the universal credit uplift and the tenant eviction ban ending.

Whilst the £7m has been utilised, this has been in response to the pandemic and action taken in 2021/22. It is expected that the changes to the service and additional government grant funding around the rough sleeper initiative (yet to be allocated to Councils) will mean that the budget will be sufficient for 2022/23, and that demand reductions and therefore budget reductions will be possible in future years. Further details will be provided as the Transformation Programme progresses in the coming months.

It is therefore not expected that the further planned £1.7m per annum increase that was originally budgeted for 2022/23 will be required and this has now been removed from the budget assumptions, although the position will be kept under review.

To manage risk in this area a £1.5m homelessness contingency reserve remains.

Growth/Investment

£495k has already been approved for 2022/23 as a permanent budget increase to reflect ongoing commitments to tackling anti-social behaviour.

The waste disposal levy is paid over to Greater Manchester Combined Authority (GMCA) and this contributes towards their costs of funding Greater Manchester Waste Disposal Authority (GMWDA). Based on figures provided by GMCA the 2021/22 levy costs are to increase by **£1.225m**, due to changes in costs, recycling rates and market prices for recyclates. The budget has been uplifted to reflect the increased costs.
£150k increase for higher waste disposal costs due to the higher volume of waste being disposed of.

Covid Implications on Income

As part of the 2021/22 budget, a number of services were provided with one off budget support to allow for reduced income due to the impacts of Covid-19. This was one off support in 2021/22 and has been removed in 2022/23 from the following areas: -

- **£321k** from Leisure, Libraries and Compliance Services.
- **£3.136m** to support the reduction in car parking income, in operations and commissioning.
- Business Units £**0.903m**, across the following areas Markets
- £0.717m, catering £172k and Pest Control £14k.

In addition to the support for lost income in Leisure there was also support of £1.2m provided to our Leisure provider, GLL in order to offset the lost income they incurred due to reduced user numbers of the facilities, and ensure they had sufficient resources to maintain the City Council facilities. Whilst customers numbers have increased following the relaxing of restrictions, they are still not back to pre-Covid levels, and it is proposed that support of **£0.6m** is provided for 2022/23. This is an estimate based on the latest forecast and any support can be adjusted if actual performance is better than forecast.

Proposed Changes to the 2022/23 Budget

Inflationary Pressures

As part of the November scrutiny process cost pressures of £464k were identified and the budget has been updated to reflect these, the pressures are: -
The current winter services contract is up for renewal in 2022/23 and indications are that the contract is likely to cost c**£200k** more than the existing contract, this is due to increased costs of HGV drivers.
The provision of CCTV monitoring has been provided by Mitie since January 2021, and the costs of the contract are c**£264k** higher than the previous contract. A review of the service provision has recently been undertaken to ensure any increased costs can be mitigated as far as possible, and the £264k is net of the proposed changes.
National Insurance

Budgets have been updated to reflect the employers National Insurance increase of 1.25%, **£305k** to fund the ‘social care levy’.

Provision has been made for inflationary price increases and potential pay awards. This is held centrally and will be allocated to service budgets when the details are available.

Increased Vacancy Provision

A 1% increase to the vacancy factor would more accurately reflect the fact that many employees are not at the top of the grade and the current levels of turnover and would generate budget savings of c.£2m across the council. Services under the remit of this scrutiny panel have been allocated **£453k** of this which is reflected in the 22/23 proposed budget

New Growth/Investment

The report to January Executive set out that the funding announced for 2022/23 makes available £12m to fund additional pressures and emerging risks and that, in line with the agreed approach, "this is used across a three-year period. Full detail of suggested priorities for funding will be presented to the Executive in February 2022. This could include priorities such as anti-poverty measures, waste and street cleaning".
In line with the updated Corporate Plan included elsewhere on the agenda and reflecting the political priorities of the Council, the following priorities have been identified that fall within the remit of this Scrutiny Committee, and total investment of £2.1m is proposed for 2022/23, this includes:
£200k *Domestic Violence Against Women and Girls* - as part of the Council's response to the issues and concerns around gender-based violence additional funding is being provided to fund a MCC lead post to co-ordinate, engage on and lead the overall delivery of this work.
£0.7m *Supporting the delivery of neighbourhood priorities* – Whilst existing funding is in place to support the work of community groups in local wards a key issue that has emerged through the recent ward visits is the lack of funding to address small local priorities, such as a minor improvement to a park. In order to address this, it is proposed to allocate a small amount of funding of £20k per ward that can be used for agreed capital or revenue priorities that would make a real difference to the ward. The use would be agreed with the neighbourhood team who would ensure any proposals are aligned with other capital and revenue developments within the ward. The learning from 2022/23 will be used to inform how the funding could best be used in future years.
£0.5m Leisure Investment in Youth Provision **-** Over the last three years c.£1.4M per annum has been invested into core youth and play activities in community settings. A Needs Assessment is currently being undertaken to prioritise how the limited funding will be prioritised from 2023 onwards, however, data analysed from quarterly performance returns has revealed that the investment should be strengthened, particularly in those areas that have medium to high needs. To address this, it is proposed that this Youth and Play Commissioning Fund is increased by £500K per annum to:

- strengthen the universal youth and play offer to ensure access for children and young people across the city.
- support capacity building of grassroots groups and leadership training for youth work in community-based organisations.

£0.7m *Investment in Clean and Attractive Places to Live and Work* - to support a range of additional measures to ensure the city remains a clean and attractive place to live and work. Plans are being developed and this will include council owned land not covered by the waste collection contract, as well as additional capacity to improve the cleanliness of district centres and streets.

The impact of the proposed changes identified above would result in a net budget for 2022/23 of £89.094m and the detail is set out in the table below:

Table 2

Service Area	Cash Limit	21/22 Savings	COVID Funding	Growth / Other Adj	New Savings Options	New Growth	New pressures	Cash Limit
	2021/22 £000's	**2022/23 £000's**	**2022/23 £000's**	**2022/23 £000's**	**2022/23 £000s**	**2022/23 £000's**	**2022/23 £000's**	**2022/23 £000's**
Compliance	**8,352**	137	(127)	0	(86)	0	49	**8,325**
Community Safety	**1,958**	0	0	495	(19)	200	11	**2,645**
Libraries, Galleries and Culture	**9,312**	0	(51)	0	(89)	0	40	**9,212**
Management and Directorate Support	**1,093**	0	0	0	(10)	0	6	**1,089**
Neighbourhood Teams	**2,768**	0	0	0	(27)	700	17	**3,458**
Other Neighbourhoods	**440**	0	0	0	0	0	0	**440**
Leisure, Youth and Events	**6,122**	(155)	(743)	0	(11)	500	7	**5,720**
Homelessness	**27,403**	0	0	0	(117)	0	60	**27,346**
Waste and Street Cleaning	**21,197**	0	0	150	(7)	700	4	**22,044**
Grounds Maintenance	**3,841**	0	0	0	0	0	15	**3,856**
Parks and Green Spaces	**1,991**	(100)	0	0	(24)	0	12	**1,879**
Business Units	**(1,933)**	0	(903)	0	0	0	24	**(2,812)**
Advertising	**(4,175)**	(225)	0	0	0	0	0	**(4,400)**
Highways	**13,117**	(150)	(3,136)	0	(63)	0	524	**10,292**
Grand Total Exc Waste Levy	**91,486**	**(493)**	**(4,960)**	**645**	**(453)**	**2,100**	**769**	**89,094**
Waste Levy	**28,731**	0	0	1,225	0	0	0	**29,956**
Grand Total Exc Waste Levy	**120,217**	**(493)**	**(4,960)**	**1,870**	**(453)**	**2,100**	**769**	**119,050**

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Appendix 3 – Capital budget and pipeline priorities

The current approved capital programme, as at period 9 in 2021/22, is shown below alongside the funding to be used. Details on potential future investment opportunities are also shown, but these remain subject to approval.

Approved Capital Programme

Service Area	2021/22	2022/23	2023/24	2024/25	Total
	£'000	£'000	£'000	£'000	£'000
Highways Maintenance Programme	19,016	14,164	629	-	33,809
Highways Mayor’s Challenge Fund	11,723	20,726	-	-	32,449
Highways - other	10,119	12,516	-	-	22,635
Waste – Electric Refuse Vehicles	9,185	-	-	-	9,185
Waste - other	775	350	-	-	1,125
Environment & Operations (exc. Waste)	1,675	2,403	-	-	4,087
Parks Development Programme	1,082	3,574	4,685	903	10,244
Parks - other	939	839	-	-	1,778
Abraham Moss Leisure Centre	6,540	15,279	452	-	22,271
Manchester Aquatics Centre	5,208	16,934	8,313	-	30,455
National Cycling Centre	5,954	18,605	42	-	24,601
Leisure - other	3,563	2,901	535	-	6,999
Culture & Libraries	809	1,843	1,476	-	4,128
HRA – former Northwards	21,762	22,056	16,708	2,455	62,981
HRA – Collyhurst regeneration	421	5,230	11,531	11,905	29,087
HRA - other	1,762	10,329	2,219	199	14,509
Homelessness	2,400	1,500	-	-	3,900
Total	**102,933**	**149,249**	**46,590**	**15,462**	**314,234**

Funding of Approved Capital Programme

Service Area	2021/22	2022/23	2023/24	2024/25	Total
	£'000	£'000	£'000	£'000	£'000
Grant	2,133	2,820	132	-	5,085
External contributions	23,803	26,145	168	-	50,116
Revenue Contribution to Capital	25,451	39,993	29,958	14,559	109,961
Capital Receipts	3,348	2,139	2,126	-	7,613
Borrowing	48,198	78,152	14,206	903	141,459
Total	**102,933**	**149,249**	**46,590**	**45,462**	**314,234**

Future Investment Priorities

The following projects are potential future investment opportunities, which may be brought forward in the future:

- A further investment plan for highway and footway maintenance, improvements, and road safety, as the existing programme comes to an end, starting with a 1-yeat funding allocation. This would complement existing government funding.
- The opportunities to bid for Mayor's Challenge Fund from the GMCA will be continually reviewed to fund road, footway, and cycleway improvements.
- Investment which prioritise improvements to the network to support active travel.
- Ongoing review of accident prevention and local community safety measures, £2m was included in the programme for 2021/22 and any unused resources will be carried forward into 2022/23.
- Recognising the importance of culture to the economic recovery of Manchester, potential investment to support cultural and creative industries, particularly where such investment can be leveraged against external funding.
- Further investment in the Council's leisure estate to maintain facilities.
- The insourced capital programme for the properties formerly managed by Northwards Housing will continue to be reviewed to ensure there is the correct prioritisation and pace for works to deliver fire safety and decent homes.
- The Council will consider options for retrofit works to make its existing housing zero-carbon.
- Further investment in affordable housing to support Homelessness, through either direct delivery or working with registered providers and other partners. This would include reviewing the role the HRA (Housing Revenue Account) can play in creating new affordable housing
- Investment in temporary accommodation, either through direct ownership or through lease arrangements.

Manchester City Council
Report for Resolution

Report to: Economy Scrutiny Committee – 10 February 2022
Executive – 16 February 2022

Subject: Growth & Development Directorate Budget 2022/23

Report of: Strategic Director Growth & Development

Summary

Following the Spending Review announcements and provisional local government finance settlement 2022/23 the Council is forecasting a balanced budget for 2022/23, a gap of £37m in 2023/24 and £58m by 2024/25. This report sets out the high-level position.

The finance settlement was towards the positive end of forecasts and no actions beyond those outlined in November are required to balance next year's budget.
As reported to November Scrutiny meeting officers identified savings and mitigations totalling c£7.7m which are now subject to approval.

The settlement was for one year only and considerable uncertainty remains from 2023/24. A longer-term strategy to close the budget gap is being prepared with an estimated requirement to find budget cuts and savings in the region of £60m over the next three years. In addition, £30m of risk-based reserves have been identified as available to manage risk and timing differences.

Appended are the priorities for the services in the remit of this committee, details on the initial revenue budget changes proposed by officers and the planned capital programme.

Recommendations

The Scrutiny committee is recommended to:

1. Note the forecast medium term revenue budget position.

2. Consider the content of this report and comment on the proposed changes which are relevant to the remit of this scrutiny committee.

The Executive is recommended to approve these budget proposals

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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	Providing the leadership and focus for the sustainable growth and transformation of the City Centre and our 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 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 changes included within this report are officer proposals and, subject to Member comments and consultation, these will be included as part of the 2022/23 budget preparation.

Financial Consequences – Capital

None directly arising from this report.

Contact Officers:

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Background documents (available for public inspection):

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

Growth and Development Directorate Budget Report 2021/22 – Executive 17th February 2021
Growth and Development Directorate Budget 2022/23 - Economy Scrutiny 11th November 2021
Executive – 17 January 2022 Subject: Provisional local government finance settlement 2022/23 and budget assumptions

1. Introduction and Context

1.1. On 27 October 2021, the Chancellor of the Exchequer, Rishi Sunak MP, delivered the Spending Review and Autumn budget 2021 to the House of Commons. The Spending Review sets the quantum of funding available for local government whilst the Finance Settlement, which followed on 16 December 2021, sets out the distribution to individual local authorities.

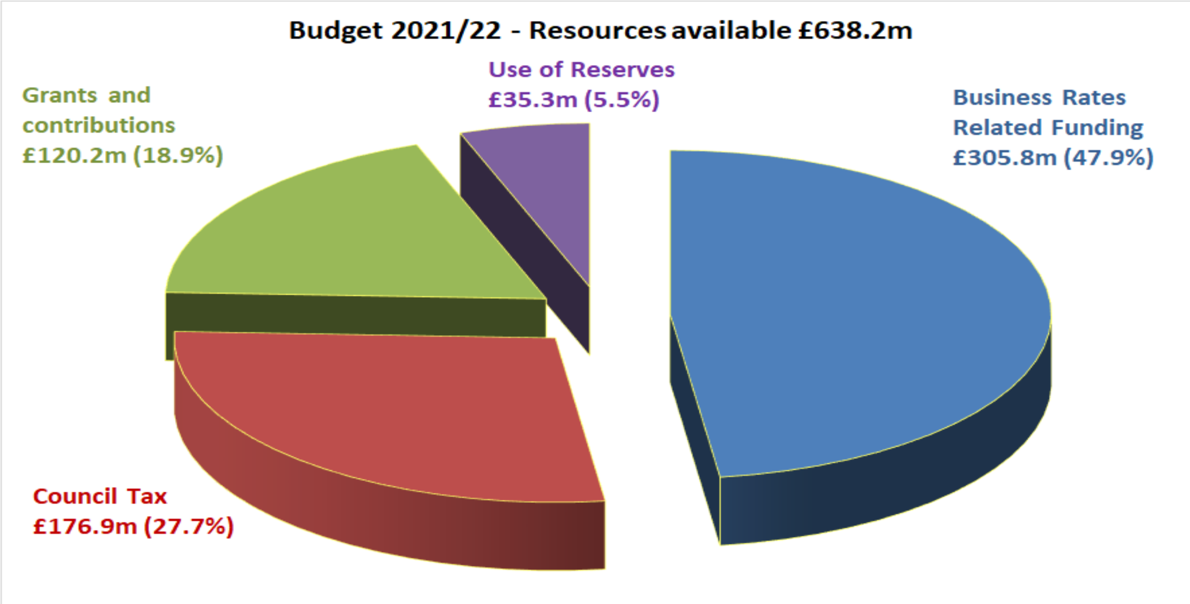
1.2. The finance settlement has been front loaded and includes several one-off distributions of funding. It is also a one-year settlement. Therefore, considerable uncertainty remains in relation to the position after 2022/23.

1.3. The Local government funding reform work will be recommenced in the Spring. This means that the Fair Funding Review and baseline reset are both going to be under consideration again, for implementation in 2023/24. This will impact on how funding between different local authorities is distributed.

1.4. The final budget position for 2022/23 and beyond will be confirmed at February Executive. This will be after the key decisions confirming the Collection Fund position and Council Tax and Business Rates base have been made and the Final Finance Settlement is received. It is unlikely that there will be any significant changes to the Provisional Settlement.

1.5. The Council's 2021/22 net revenue budget is currently funded from four main sources which are Council Tax, Business Rates, government grants and contributions 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 resources raised locally has become even more important for financial sustainability and is integral to the Council’s financial planning.

1.6. The following chart shows the current breakdown of resources available.



2. Current budget position

2.1. The indicative medium-term position is shown in the table below, full details are provided in the settlement and budget report to 17 January Executive meeting.

	Revised 2021 / 22 £'000	2022 / 23 £'000	2023 / 24 £'000	2024 / 25 £'000
Resources Available				
Business Rates Related Funding	156,416	338,092	322,337	340,330
Council Tax	176,857	208,965	206,620	217,197
Grants and other External Funding	120,243	104,533	87,374	85,374
Use of Reserves	184,667	36,781	30,592	15,573
Total Resources Available	**638,183**	**688,371**	**646,923**	**658,474**
Resources Required				
Corporate Costs	120,232	133,058	110,211	114,849
Directorate Costs	517,951	555,313	573,494	601,172
Total Resources Required	**638,183**	**688,371**	**683,705**	**716,021**
Shortfall / (surplus)	**0**	**0**	**36,782**	**57,547**

2.2. The budget assumptions that underpin 2022/23 to 2024/25 include the commitments made as part of the 2021/22 budget process to fund ongoing demand pressures as well as provision to meet other known pressures such as inflation and any pay awards (estimated at 3% from 2022/23). Whilst this contributes to the scale of the budget gap it is important that a realistic budget is budget set which reflects ongoing cost and demand pressures.

2.3. Officers have identified options to balance the budget in 2022/23 which are subject to approval. The detail relevant to this scrutiny remit is included at Appendix 2. If these proposals are supported a balanced budget will be achieved. In addition, £30m of risk-based reserves have been identified as available to manage risk and timing differences.

3. Scrutiny of the draft budget proposals and budget reports

3.1. The reports have been tailored to the remit of each scrutiny as shown in the table below. This Committee is invited to consider the proposed changes which are within its remit and to make recommendations to the Executive before it agrees to the final budget proposals in February 2022.

Date	Meeting	Services Included
8 February 2022	Resources and Governance Scrutiny Committee	Chief Executives Corporate Services Revenue and Benefits / Customer and Welfare Support Business Units
8 February 2022	Communities and Equalities Scrutiny Committee	Sport, Leisure, Events Libraries Galleries and Culture Compliance and Community Safety Housing Operations including Homelessness Neighbourhood working
9 February 2022	Health Scrutiny Committee	Adult Social Care and Population Health
9 February 2022	Children and Young People Scrutiny Committee	Children and Education Services Youth and Play
10 February 2022	Environment and Climate Change Scrutiny Committee	Waste and Recycling Parks Grounds maintenance
10 February 2022	Economy Scrutiny Committee	City Centre Regeneration Strategic Development Housing and residential growth Planning, Building Control, and licensing Investment Estate Work and skills Highways

4. Next Steps

4.1. The proposed next steps are as follows:

- February Scrutiny Committees (8-10 February) and Executive (16 February) receive proposed budget
- Resources and Governance Budget Scrutiny – (28 February)
- March Council - approval of 2022/23 budget - (4 March)
- New Municipal Year – early options around 2023/24 & 2024/25 discussed with members

5. Conclusion

5.1. Overall, the settlement announcements were towards the positive end of expectations. It is expected that mitigations in the region of £7.7m, as previously identified, will be sufficient to balance the 2022/23 budget.

5.2. Officers have estimated the future resources available based on the information available. This results in forecast gap of £37m in 2023/24 increasing to £58m in 2024/25.

5.3. The focus will now be on identifying savings and mitigations to keep the council on a sustainable financial footing. It is proposed that budget cuts and savings of £60m over three years are developed for member consideration. £60m equates to just under 12% of 2022/23 directorate budgets. In addition, £30m of risk-based reserves have been identified as available to manage risk and timing differences.

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Appendix 1 – Headline priorities for the service

The Growth and Development Directorate has a pivotal role in driving the sustainable economic growth of the city to benefit everyone. This is achieved through securing new commercial development, attracting inward investment, generating employment growth across the city, connecting residents to those opportunities, and supporting businesses and communities to thrive. The directorate continues to play a leading role in the economic recovery of the city following the decline due to Covid-19.

Investment Estate

The Investment Estate service, which is managed by the Development Team, covers all aspects of the Council's non-operational property estate. This includes property and land held for investment purposes, surplus land, and development assets. The team is also responsible for the undertaking of statutory functions including asset valuations for accounting purposes and undertaking planning viability assessment reviews.

Priorities Include

- Managing the Council's Investment estate to provide a long-term sustainable income stream to the Council and reducing costs and liabilities arising from repairs, property management, voids, and bad debt.
- Identify opportunities that exist to drive additional revenue and capital receipts from the Council's asset base through review of assets.
- Ensure high quality and timely asset valuations to support financial reporting requirements.
- Promoting and delivering a strategic asset management plan to assist in decision making around the Council's real estate portfolio.
- Support the Council's zero carbon targets through leveraging better outcomes from development on Council land, or where the Team has influence over development.
- Working with colleagues on preparation of levelling up fund bids.
- Driving release of land in East Manchester to support delivery of new commercial development.
- Supporting the Council's housing delivery targets through land sales and lease regears driving delivery of a sustainable tenure mix across the city.
- Working with colleagues across the Council to deliver Major Development Projects in Victoria North, Eastern Gateway, and City Centre.
- Securing the delivery of appropriate planning obligations, including affordable housing, on behalf of Planning Service through s106 and other routes.

City Centre Growth & Infrastructure

The City Centre Growth & Infrastructure Team provides the essential focus and drive in the delivery of a wide range of initiatives that support inclusive growth, regeneration, and future planning across the city, with a particular responsibility for the city centre.

Priorities include:
- Working collaboratively with a range of partners, facilitating the delivery of major growth and regeneration schemes, increasing the Council Tax and Business Rates base; and developing planning, infrastructure, and environmental policy to drive growth across the city.
- Encouraging new inward investment to the city, facilitating the creation of new jobs.
- Aligning development and infrastructure policy, plans and investment programmes to ensure that they deliver on Manchester's strategic policy objectives, and attract funding and investment opportunities for the city.
- Aligning growth and infrastructure objectives to support delivery of the city's Climate Change Action Plan and related policies.
- Developing Manchester's Local Plan in consultation with all communities across the city ensuring this informs policy development, and Places for Everyone with GM Partners, ensuring alignment with the Local Plan.
- Working with a range of Council services, external organisations, and agencies to support place management and to ensure the holistic and effective management of the city centre, including the public realm.
- Leading the city's subsequent economic recovery strategy, following the Covid-19 pandemic, to support future growth.
- Leading transport infrastructure development, including public transport investment, active travel projects and the development of overarching transport strategies, including the City Centre Transport Strategy.

Housing & Residential Growth

The service's mission is "to ensure that there is a sufficient mix of well-managed and good quality housing to meet the needs of a growing city and to set the policy framework to ensure that all Manchester residents can live comfortably and safely." Linked to the mission there are two key objectives, namely.
- Support delivery of significant new housing in the city, including through and 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 the direct control of Council owned housing in the north of the city.

Priorities Include:
- The continued delivery of affordable homes, with a target of 6,400 homes to be achieved between 2015 and 2025 – to date over 2,000 new homes have been delivered and we are on schedule to exceed the target by 2025;
- Progress seven new Extra Care schemes – this is on schedule with four new schemes completed in the past year in Ardwick, Moss Side, Abbey Hey and Burnage and Whalley Range due to start shortly.
- Delivery of Phase 1 of Victoria North (1,000 new homes including 130 Council homes in Collyhurst);

- Implement initiatives to progress the enabling works funded via £51.6m of Housing Infrastructure Funding to help deliver the Victoria North JV Partnership.
- Commencement of the next phase of the Manchester Life JV in the Eastern Gateway.
- Lead the Council's drive for Fire Safety improvements, especially in high-rise buildings - over 1,000 sprinkler installations have been carried out to date.
- Management of three PFI (Private Finance Initiative) Contracts in Miles Platting, Brunswick, and Grove Village.
- Establishing a viable Housing Delivery Vehicle through This City – enabling delivery of up to 500 new homes per year at an accessible rent.
- Developing a new Housing Strategy for the city.

The service plays a key role in supporting the Council's equality objectives and Tackling diversity and inclusion, evidenced by the following actions.

- Ensuring that the Council's Allocation Scheme is open and transparent.
- Ensuring that specific groups are catered for in housing delivery, for example:
- Older people with care needs through accessing extra care accommodation.
- Accommodation for people with Learning Disabilities.
- Looked After Children via the House Project, and
- LGBT+ Community via the country's first LGBT Extra Care which is soon to be developed.

Planning, Building Control & Licensing

Planning, Building Control and Licensing service works within an ever-changing environment of national policy documents, regulations, and legal considerations which has seen additional demands placed on the service where the scale of development and the pressure on supporting compliance is already significant.

Crucially, the service plays a central role in delivering the Council's sustainable growth agenda, promoting positive outcomes for the city, and helping to de-risk investment decisions into the city. This is about securing new development that strengthens the platform for attracting investment to deliver economic growth, the aims of the residential growth strategy and supporting an uplift in the environment that is safe, inclusive and responds to climate change. The remit of the service includes delivering all the statutory functions of the city council as local planning authority – over 4,000 planning applications per annum, appeals, heritage matters and compliance, the local authority building control function, including building and fire safety, dangerous buildings and safety at sports grounds and the licensing function, both premises and taxis.

Each part of the service is required to develop strong networks internally and externally along with the ability to forge effective partnerships with external Agencies and to influence the private sector and other key stakeholders to deliver key council objectives through major projects and policy development.

Priorities Include

- With the City Centre and Infrastructure Team develop the Local Plan for Manchester and other supporting planning policies to deliver the city councils objectives
- Through the planning process drive outcomes that support Manchester's sustainable growth ambition, new jobs, new homes responding to a clear quality and climate change agenda
- With Housing and Residential Growth, ensure our teams, particularly Building Control, are fully aligned to and capable of meeting the emerging mandatory changes being delivered through both the Building Safety and Fire Safety Acts.
- Leading the work on minimum licensing standards across GM for developing a world class taxi and private hire fleet
- Developing new Licensing Policy and Gambling Policy that responds to the needs of the city and are aligned to the Councils corporate objectives
- Continue to ensure the statutory functions of the Council meet all national performance targets and legal requirements to avoid the risk of Government intervention and challenge

Work & Skills

The Work & Skills team is responsible for the development and delivery of the Work & Skills Strategy for the City and the skills and labour market aspects of the City's economic recovery plan. It provides a coordinated approach to the post-16 & adult skills and employment support offer across the city, to ensure that the offer is as coherent as possible for young people and adults and meets the city's labour market requirements. The team engages with businesses on business growth, skills & employment opportunities and supports business networks across the city.

Priorities Include

- Refresh of the Work & Skills Strategy
- Continuing to deliver the skills & labour market aspects of the Economic Recovery Plan
- Work with key sectors, companies, and providers to meet areas of skill shortages in growth sectors and the foundational economy e.g., care, hospitality, construction
- Deliver the employment & skills aspects of social value with a focus on North Manchester
- Lead the delivery of the refreshed Family Poverty Strategy and the work with anchor institutions
- Digital strategy, skills, and digital inclusion

MAES

MAES provides adult education, learning and skills from 7 adult education centres across the city. It is focused on providing opportunities for residents with lower levels of skills & qualifications, with on average over 70% of learners on working age benefits and 80% from the City's most disadvantaged areas. Much of the skills curriculum offer is focused on ESOL (English for Speakers of Other Languages), Maths and English &

Digital from entry level to GCSE with a vocational offer mainly to Level 2 in childcare and care. There are good progression routes to employment and progression to further learning. The MAES core offer is complemented by enhanced employability support available to all learners through its Make It Happen programme.

Demand for ESOL in particular is very high and MAES runs the ESOL advice service to ensure that residents in the city can access ESOL learning that best fits their needs across MAES, the Manchester College and VCSE organisations. In addition, MAES runs the award-winning Talk English programme targeted at providing opportunities for ESOL speakers and migrants to acquire English language skills in community settings. MAES also commissions community learning from VCSE organisations across the city to extend the reach into the City's communities and engage residents who are not ready /would be reluctant to enrol in MAES centres.

MAES generates all its funding externally, mostly through the GMCA (Greater Manchester Combined Authority) commissioned AEB budget. In addition, it receives ESFA (Education and Skills Funding Agency) funding for 16- to 24-year-old SEND (Special Education Needs and Disabilities), DLUHC (Department for Levelling Up, Housing and Communities) Needs and Disabilities) learners and DLUHC funding for the Talk English programme. Covid has impacted on MAES funding and delivery.

Priorities include:

- Delivery of the MAES review recommendations to bring expenditure in line with income
- Support learners to return to centres and achieve their qualifications post-Covid and use the experience of online learning to create a blended offer that is flexible and meets student needs
- Contribute to the skills and labour market recovery work by providing upskilling to enable more residents to connect /re-connect to the labour market
- Expand / flex ESOL provision to meet demand including the delivery of ESOL to newly arrived Afghan refugees and the continuation of the ESOL advice and Talk English programmes
- Develop options to improve the quality of MAES centres in need of refurbishment/investment and contribute to the development of the Gorton Hub
- Extend the reach of MAES into Manchester's disadvantaged communities both directly and working in partnership with the VCSE sector.

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Appendix 2 – Revenue Budget Strategy

Growth and Development Revenue Budget Strategy

The Growth and Development Directorate has a gross budget of £38.737m and a net income budget of £9.643m, employing 427.6 FTEs. The breakdown by service area is provided in the table below:

Base budget 2021/22

Service Area	2021/22 Gross Budget £'000	2021/22 Net Budget £'000	2021/22 Budgeted Posts (FTE)
Investment Estate	8,595	(12,879)	28.8
Manchester Creative Digital Assets	1,172		
Growth & Development	364	164	2.6
City Centre Regeneration	3,249	1,275	25.8
Housing & Residential Growth	3,419	1,155	34.9
Planning, Building Control & Licensing	7,430	(981)	122.1
Work & Skills	2,177	1,623	25.6
MAES	9,946	0	182.0
Our Town Hall Project	2,385	0	5.8
Total	**38,737**	**(9,643)**	**427.6**

In addition to the Growth and Development Directorate, the Highways service falls under the remit of this scrutiny panel and details of the Highways revenue budget and capital investment is set out at Appendix 4

Changes to the 2022/23 Budget
Approved 2022/23 Savings.

Members will recall that the 2021/22 approved City Council budget identified over £48m savings over the three years 2021/22 - 2023/24. Of these savings £1.408m related to Growth and Development. The 2021/22 savings of £1.108m are on track to be achieved in 2021/22, although the £393k savings from holding/deleting Planning and Building control vacancies is not ongoing and is included in the paragraph below.

The approved savings did not include any additional savings for 2022/23, but there are a further £300k of investment estate savings approved for 2023/24 and this is to be delivered through establishing a new ground rental portfolio secured against long leasehold disposal of land as part of the Victoria North development.

MAES is funded through external Government grants and following a change in the funding regime the approved funding is not sufficient to meet the existing costs of the service. To ensure the service is sustainable and reduce the requirement to use reserves a service redesign has been undertaken and this has resulted in a reduction in staff numbers. This has been managed by a combination of voluntary severance scheme and the M people process. In 21/22 (29) staff have already left and further staff reductions are proposed for 2022/23 to ensure a sustainable budget going forward.

Proposed Changes to the 2022/23 Budget

As referenced above the 2021/22 budget process included £393k savings in respect of holding/deleting 11 posts in planning and building control. Whilst the service redesign is expected to be completed in the first quarter of 2022, it will take time to implement the changes and recruit to all the posts. To allow for service delivery, and succession planning it is necessary to amend the structure and invest in some areas, therefore is anticipated that ongoing savings of c£150k will be realised from reduced staffing costs across planning and building control. This will require alternative savings of £243k to be identified and delivered in 2022/23.

To allow the Strategic Director time to review service options it is planned that the ongoing savings requirement of £243k will be managed through a combination of staff savings from vacant posts while posts are recruited to and income in 2022/23 whilst longer term ongoing options are developed.

Covid Implications on Income

As part of the 2021/22 budget, additional support was provided to allow for reduced income due to Covid. Growth and Development received one off budget support of £0.7m and this was made up of investment estate (£301k) and planning building control (£399k). This was one off support in 2021/22 and has been removed in 2022/23.

Inflationary Pressures

Budgets have been updated to reflect the employers National Insurance increase of 1.25%, (£40k) to fund the 'social care levy'.
Provision has been made for inflationary price increases and potential pay awards. This is held centrally and will be allocated to service budgets when the details are available.

Increased Vacancy Provision

A 1% increase to the vacancy factor would more accurately reflect the fact that many employees are not at the top of the grade and the current levels of turnover and would generate budget savings of c.£2m across the council. Growth and Development services have been allocated £59k of this which is reflected in the 2022/23 indicative budget

Demand and Demographic Pressures

With the changes to the Building Safety Act and in relation to Fire Safety following the Hackitt Review, Building Control will be at the forefront of delivering new mandatory standards and a review of the team has commenced. The review will be looking to address existing issues around staff retention, and future proofing the service, but also the additional demands that the changes will take place on Building Control. This will require an upskilling to ensure competency at a much greater level and this will include all surveyors having to be licensed. The review is expected to be completed by Autumn 2022 and prior to implementing any changes the financial implication will be identified. Building Control is responsible for safeguarding the safety and protection of our city. It provides all specialist advice on public safety, safety at sports grounds, dangerous structures and routine work with the emergency services and other functions such as the Health and Safety Executive (HSE). In Manchester there is an added statutory responsibility for Safety at Sports Grounds, which has recently been audited by the Sports Ground Safety Authority. The team is also intrinsic in supporting the Councils objectives for place making.

The impact of the above would result in a proposed net budget for 2022/23 of (£9.752m) as detailed below:

Service Area	Cash Limit	COVID Funding	New Savings proposed 22/23	New pressures identified 22/23	Cash Limit
	2021/22 £000's	**2022/23£000's**	**2022/23 £000's**	**2022/23 £000's**	**2022/23 £000's**
City Centre Regen	1,275		(9)	7	1,273
Strategic Development	156		(1)	2	157
Housing and Residential Growth	1,147		(11)	8	1,144
Planning, Building Control and Licensing	(744)	(301)	(25)	4	(1,066)
Investment Estate	(12,487)	(399)	(8)	11	(12,883)
Work and Skills and MAES	1,620		(5)	8	1,623
	(9,033)	**(700)**	**(59)**	**40**	**(9,752)**

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Appendix 3 – Capital budget and pipeline priorities

The current approved capital programme, as at period 9 in 2021/22, is shown below alongside the funding to be used. Details on potential future investment opportunities are also shown, but these remain subject to approval.

Approved Capital Programme

Service Area	2021/22	2022/23	2023/24	2024/25	Total
	£'000	£'000	£'000	£'000	£'000
Strategic Housing - Disabled Facilities Grant	7,500	8,079	-	-	15,579
Strategic Housing – This City	747	10,000	23,000	-	33,747
Strategic Housing - Other	6,467	7,683	14,007	2,722	30,879
Northern Gateway	11,691	22,275	38,952	-	72,918
Eastern Gateway	4,617	5,940	-	-	10,557
City Centre	4,746	19,637	6,889	-	31,272
Other	5,619	7,996	-	-	13,615
Total	**41,387**	**81,610**	**82,848**	**2,722**	**208,567**

Funding of Approved Capital Programme

Service Area	2021/22	2022/23	2023/24	2024/25	Total
	£'000	£'000	£'000	£'000	£'000
Grant	17,586	35,591	38,721	-	91,898
External contributions	1,546	2,348	-	-	3,894
Revenue Contribution to Capital	4,088	1,823	1,518	-	7,432
Capital Receipts	3,299	4,003	10,959	2,722	20,983
Borrowing	14,868	37,842	31,650	-	84,360
Total	**41,387**	**81,610**	**82,848**	**2,722**	**208,567**

Future Investment Priorities

The following projects are potential future investment opportunities, which may be brought forward in the future:

- Investment in key strategic areas, including the Ancoats Mobility Hub and Wythenshawe Town Centre, alongside works in the Eastern and Northern Gateways.
- Public realm works, including Piccadilly Gardens.
- Further investment in the Council’s digital asset base.
- Investment in This City, developing new homes in the city.

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Manchester City Council
Report for Resolution

Report to: Resources and Governance Scrutiny Committee – 8 February 2022
Executive – 16 February 2022

Subject: Corporate Core Budget Report 2022/23

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

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Summary

Following the Spending Review announcements and provisional local government finance settlement 2022/23 the Council is forecasting a balanced budget for 2022/23, a gap of £37m in 2023/24 and £58m by 2024/25. This report sets out the high-level position.

The finance settlement was towards the positive end of forecasts and no actions beyond those outlined in November are required to balance next year's budget. As reported to November Scrutiny meeting officers identified savings and mitigations totalling c£7.7m which are subject to approval.

The settlement was for one year only and considerable uncertainty remains from 2023/24. A longer-term strategy to close the budget gap is being prepared with an estimated requirement to find budget cuts and savings in the region of £60m over the next three years. In addition, £30m of risk-based reserves have been identified as available to manage risk and timing differences

Appended are the priorities for the services in the remit of this committee, details on the initial revenue budget changes proposed by officers and the planned capital programme.

This report provides a further updated 2022/23 budget for the Corporate Core, this includes proposed changes to the budget and reflects any feedback from the November Scrutiny committees.

Recommendations

1. The Committee and Executive are each invited to review and comment on the directorate budget report.
2. The Executive is recommended to approve these budget proposals.
3. Executive are recommended to: -
    - Note the development of the funding agreement set out in Appendix 1.
    - Support the initial underwriting of the Factory Trust fundraising costs by way of a grant agreement, to be met from the Council's existing MIF

reserve and reimbursed when fund raising is received, and delegate to the Deputy Chief Executive and City Treasurer and City Solicitor to finalise the grant agreement, including any conditions for drawdown and repayment.

- Approve lease arrangements in relation to MIF with delegation to finalise the details to Deputy Chief Executive and City Treasurer and City Solicitor.
- Continue the support to families to provide free school meals for the 2022 Easter Holiday at £15 per pupil per week. Vouchers will be distributed to households on a pupil basis via schools. This will be funded in line with the arrangements set out in Appendix 1 of this report.
- To note the Chancellors announcement on the proposal for a £150 council tax rebate for all band A-D properties as set out in paragraph x of this report.
- To delegate to the Deputy Chief Executive and City Treasurer in conjunction with the Leader of the Council the finalising the detail of the administration of the council tax 'rebate' £150 payment.
- To delegate to the Deputy Chief Executive and City Treasurer in conjunction with the Leader of the Council responsibility for designing and implement the discretionary support scheme. The scheme will be reported back to March Executive.

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	Providing the leadership and focus for the sustainable growth and transformation of the City Centre and our 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 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 changes included within this report will be considered as part of the City Council 2022/23 budget proposals which will be considered by the Executive on 16 February 2022.

Financial Consequences – Capital

There is already an approved capital investment programme for the Directorate, and any further capital investment required to support the Directorate priorities will be subject to the usual Council capital approvals process.

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Background documents (available for public inspection):

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

Corporate Core Budget Report 2021/22 – Executive 17th February 2021.

Spending Review and Budget update report – 9th November 2021

Executive – 17 January 2022 Subject: Provisional local government finance settlement 2022/23 and budget assumptions

1. Introduction and Context

1.1. On 27 October 2021, the Chancellor of the Exchequer, Rishi Sunak MP, delivered the Spending Review and Autumn budget 2021 to the House of Commons. The Spending Review sets the quantum of funding available for local government whilst the Finance Settlement, which followed on 16 December 2021, sets out the distribution to individual local authorities.

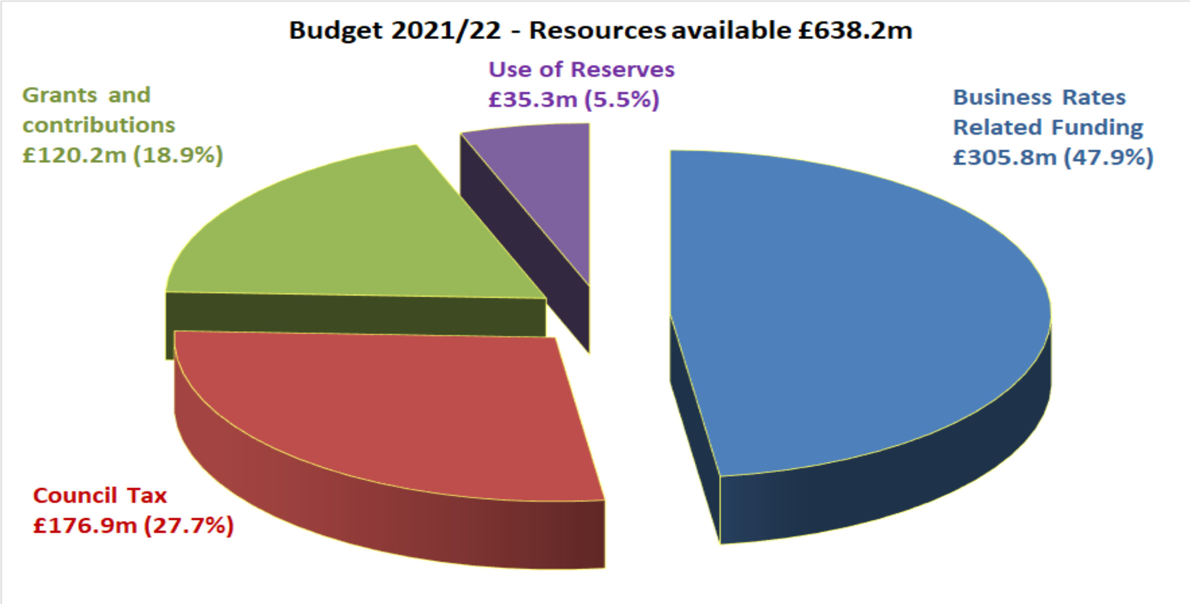
1.2. The finance settlement has been front loaded and includes several one-off distributions of funding. It is also a one-year settlement. Therefore, considerable uncertainty remains in relation to the position after 2022/23.

1.3. The Local Government funding reform work will be restarted in the Spring. This means that the Fair Funding Review and baseline reset are both going to be under consideration again, for possible implementation in 2023/24. This will impact on how funding between different local authorities is distributed.

1.4. The final budget position for 2022/23 and beyond will be confirmed at February Executive and recommended for approval to Council. This will be after the key decisions confirming the Collection Fund position, Council Tax and Business Rates base have been made and the Final Finance Settlement is received. It is unlikely that there will be any significant changes to the Provisional Settlement.

1.5. The Council's 2021/22 net revenue budget is currently funded from four main sources which are Council Tax, Business Rates, government grants and contributions 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 resources raised locally has become even more important for financial sustainability and is integral to the Council’s financial planning.

1.6. The following chart shows the current breakdown of resources available.



2. Current budget position

2.1. The indicative medium-term position is shown in the table below, full details are provided in the settlement and budget report to 17 January Executive meeting.

	Revised 2021 / 22 £'000	2022 / 23 £'000	2023 / 24 £'000	2024 / 25 £'000
Resources Available				
Business Rates Related Funding	156,416	338,092	322,337	340,330
Council Tax	176,857	208,965	206,620	217,197
Grants and other External Funding	120,243	104,533	87,374	85,374
Use of Reserves	184,667	36,781	30,592	15,573
Total Resources Available	**638,183**	**688,371**	**646,923**	**658,474**
Resources Required				
Corporate Costs	120,232	133,058	110,211	114,849
Directorate Costs	517,951	555,313	573,494	601,172
Total Resources Required	**638,183**	**688,371**	**683,705**	**716,021**
Shortfall / (surplus)	**0**	**0**	**36,782**	**57,547**

2.2. The budget assumptions that underpin 2022/23 to 2024/25 include the commitments made as part of the 2021/22 budget process to fund ongoing demand pressures as well as provision to meet other known pressures such as inflation and any pay awards (estimated at 3% from 2022/23). Whilst this contributes to the scale of the budget gap it is important that a realistic budget is budget set which reflects ongoing cost and demand pressures.

2.3. Officers have identified options to balance the budget in 2022/23 which are subject to approval. The detail relevant to this scrutiny remit is included at Appendix 2. If these proposals are supported a balanced budget will be achieved. In addition, £30m of risk-based reserves have been identified as available to manage risk and timing differences.

3. Scrutiny of the draft budget proposals and budget reports

3.1. The reports have been tailored to the remit of each scrutiny committee as shown in the table below. This Committee is invited to consider the proposed changes which are within its remit and to make recommendations to the Executive before it agrees to the final budget proposals in February 2022.

Date	Meeting	Services Included
8 February 2022	Resources and Governance Scrutiny Committee	Chief Executives Corporate Services Revenue and Benefits / Customer and Welfare Support Business Units
8 February 2022	Communities and Equalities Scrutiny Committee	Sport, Leisure, Events Libraries Galleries and Culture Compliance and Community Safety Housing Operations including Homelessness Neighbourhood working
9 February 2022	Health Scrutiny Committee	Adult Social Care and Population Health
9 February 2022	Children and Young People Scrutiny Committee	Children and Education Services Youth and Play
10 February 2022	Environment and Climate Change Scrutiny Committee	Waste and Recycling Parks Grounds maintenance
10 February 2022	Economy Scrutiny Committee	City Centre Regeneration Strategic Development Housing and residential growth Planning, Building Control, and licensing Investment Estate Work and skills Highways

4. Next Steps

4.1. The proposed next steps are as follows:

- February Scrutiny Committees (8-10 February) and Executive (16 February) receive proposed budget
- Resources and Governance Budget Scrutiny – 28 February
- March Council - approval of 2022/23 budget - 4 March
- New Municipal Year – early options around 2023/24 & 2024/25 discussed with members

5. Conclusion

5.1. Overall, the settlement announcements were towards the positive end of expectations. It is expected that mitigations in the region of £7.7m, as previously identified, will be sufficient to balance the 2022/23 budget.

5.2. Officers have estimated the future resources available based on the information available. This results in forecast gap of £37m in 2023/24 increasing to £58m in 2024/25.

5.3. The focus will now be on identifying savings and mitigations to keep the Council on a sustainable financial footing. It is proposed that budget cuts and savings of £60m over three years are developed for member consideration. £60m equates to just under 12% of 2022/23 directorate budgets. In addition, £30m of risk-based reserves have been identified as available to manage risk and timing differences.

Appendix 1 – Headline priorities for the service

The Corporate Core is made up of Chief Executives and Corporate Services and delivers four main functions:

- Direct delivery of services to residents and businesses including through the new Customer Service model, the billing and collection of business rates and council tax income, the administration of welfare benefits and services such as Registrars.
- Providing effective support services to Council Directorates and the MLCO (Manchester Local Care Organisation).
- Governance and Assurance functions to ensure the Council operates and makes decisions safely and provides support to members and the democratic process.
- City wide and council leadership with a key role in supporting the delivery of the Our Manchester Strategy and the nine Corporate Plan priorities. This includes supporting relationships with a wider range of key partners across Manchester, Greater Manchester, nationally and internationally.

Revenue Budget

The 2021/22 Corporate Core gross budget is £323.3m. This includes c£192m for benefits payments to residents. The net budget is £80.6m and the core employs 1,932 fte. The Corporate Core net 2021/22 cash limit budget is £80.634m and this is net of the initial £6.635m savings that were approved as part of the 2021/22 budget process.

The budgets include the budgets for both Operational Property and Facilities Management Service that transferred in from the Growth and Development Directorate during 2021/22.

Table 1 – Chief Executive's Departmental Budgets 2021/22

Chief Executives	2021/22 Gross Budget	2021/22 Net Budget	2021/22 Budgeted Posts (FTE)
	£'000	£'000	
Coroners and Registrars	3,614	2,271	49
Elections	1,167	1,069	12
Legal Services	12,795	6,813	263
Communications	4,516	3,111	78
Executive	966	966	13
CEX Corporate Items	1,517	1,255	-
Total Chief Executives	**24,575**	**15,485**	**415**

Table 2 – Corporate Services Budgets 2021/22

Corporate Services	2021/22 Gross Budget	2021/22 Net Budget	2021/22 Budgeted Posts (FTE)
	£'000	£'000	
Policy, Performance and Reform	18,487	13,024	155
Finance, Procurement and Commercial Governance	8,497	7,486	214
Customer Services	238,997	10,984	523
ICT	15,168	15,168	158
Human Resources & OD	4,293	3,606	84
Audit, Risk and Resilience	1,820	1,341	42
Capital Prog, Operational Property & FM (Facilities Management)	19,511	15,801	341
Total Corporate Services	**306,773**	**67,410**	**1,517**
Grand Total Corporate Core	**331,348**	**82,895**	**1,932**

Included within Customer Services and Transactions above is the Revenue and Benefits service, this includes the payments of housing benefits and other specific support to residents that have been approved by members, as illustrated in Table 3.

Table 3 – Revenue and Benefits 2021/22 budgets

Revenue and Benefits	2021/22 Gross Budget	2021/22 Net Budget	2021/22 Budgeted Posts (FTE)
	£'000	£'000	
Revenue and Benefits	206,998	6,986	319
Discretionary Housing Payments	3,850	1,000	-
Welfare Support Scheme	645	600	-
Food Bank Support	100	100	-
Household Support Fund	6,453	0	0
Total	**218,046**	**8,686**	**319**

<u>Headline priorities for the service</u>

Priorities
Direct delivery of Services

- To provide the best customer service to residents and businesses in the city in the most efficient and effective way to suit their needs.
- To collect as much money as we can, to fund essential services in an ethical and cost effective way in accordance with the governing legislation.

- To provide statutory and discretionary benefits and grants in a prompt, accurate and person centred way supporting the Council's commitment to support vulnerable residents and mitigate poverty.

Providing effective support services

- Implement the Our Manchester Strategy Delivery Plan and Corporate Plan priorities and provide supporting intelligence to inform decision making and monitor performance, outcomes, and impact.
- Facilitate the development of the city's digital infrastructure, to enable delivery of transformed public services and a more economically inclusive and resilient city
- Implement the Organisation Development plan, talent management plan and management accountability framework that are owned by Leaders of the Council.
- Implementation of a more coordinated staff engagement programme supporting and engaging the workforce in ways aligned to staff surveys, Listening in Action, and corporate reward and recognition.
- Develop a three-year Medium Term Financial Strategy that delivers a balanced budget that balances resilience with the delivery of council priorities.
- Monitor evolving demand on services via the design, delivery, assurance, and translation of data models. Use intelligence to lobby for necessary funding and allocate this in a targeted way based on need (e.g., business grants)
- Adapt working environments to make efficient use of space and create environments which support agile working across the estate (this includes the delivery of key projects such as the refurbishment of Hammerstone Road, Gorton Hub, and support to the Our Town Hall Project).
- The delivery of capital projects including The Factory and Our Town Hall project.

Governance and Assurance

- Continue to develop and ensure appropriately robust Governance is in place for all commercial activities.
- Ensure that the council operates effectively, with assurance over core processes and decision making.

Leadership Role

- Implement the action plan that has been developed in response to the Council's Corporate Peer Review, covering key areas of improvement identified within the context of Manchester already being a 'first rate Council' in 'a city of firsts'
- Lead and coordinate the next phase of the Future Shape of the Council programme to ensure a coherent approach to the Council and its' partner's change programmes. This will support the delivery of the council's future operating model.
- Development and implementation of enabling corporate support functions to support the integration of the Manchester Local Care Organisation and Northwards Housing.
- Adoption of a Digital First approach in the Council. This will include piloting new
- technologies to make back-office processes more efficient, the development of a Data Management Strategy and standards and implementation of the Resident and Business Digital Experience Programme.

- Continue to deliver the Our Ways of Working programme supported by appropriate culture and technology. Adapt working environments to make efficient use of space and support our ways of working, including the delivery of key projects such as the refurbishment of Hammerstone Road, Gorton Hub, and support to the Our Town Hal Project.
- Produce and manage a balanced budget in 2022/23 reflecting Member priorities and the Our Manchester reset, achieving agreed budget reductions and savings.
- We will continue to develop and implement social value and commitments to various charters and covenants that the Council has signed e.g., Care Leavers Covenant and the Armed Forces Covenant.
- 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.

Deliver on our equality, diversity, and inclusion commitments to support Manchester's vision to be a progressive and equitable city.

- To strengthen our growing evidence bases through the delivery of a Communities of Identity Report to identify the different experiences of individual identity groups in Manchester.
- New strategies, policies, budget, service changes and new models of delivery across the council are underpinned by equality relevancy assessments and where appropriate full Equality Impact Assessments at the design stage.
- Continue to develop and implement social value and commitments to various charters and covenants that the Council has signed e.g., Care Leavers Covenant, Armed Forces Covenant.
- Become a White Ribbon organisation to help end gender-based violence against women and girls.
- Continue to coordinate, provide sponsorship, and deliver equality events in the city, promoting awareness of various identity groups, as well as celebrating diversity awareness through supporting national initiatives such as Black history month, South Asian Heritage Month, Refugee Week, International Day of Disabled People, International Mother Language Day, Pride, International Womens Day, World Aids Day etc.
- Review and strengthen the partnership arrangements nationally, regionally, and locally including exploring the appetite and feasibility of a new Manchester EDI officers' network.

As an employer, ensure a fair and inclusive working environment which recognises, values, and responds to the dynamics and opportunities of a diverse workforce.

- Focus on key areas and actions that will support the organisation to be a place where our workforce fully reflects the rich diversity and talent of the communities we serve at all levels.
- Attract, recruit, and select in a way that is inclusive and drives diversity at all levels e.g., better diversity on recruitment panels, and strengthening induction to communicate the importance of equality, diversity, and inclusion, and what is and is not acceptable.

2022/23 Revenue Budget

Approved 2022/23 Savings

The 2021/22 approved City Council budget identified over £48m savings over the three years 2021/22 - 2023/24. This included budget cuts of £7.187m in the Corporate Core with £6.635m to be delivered in 2021/22 and the remaining £1.153m in 2022/23.

The breakdown of the £1.153m is: -

- **Legal Services - £25k** through a combination of increased income and reduced general supplies and services budgets.
- **ICT - £300k** further reduction in licensing and operating costs particularly around telephony costs.
- **HR/OD - £237k** savings from reduced staffing costs, this is in addition to the £306k 2021/22-part year savings and will be delivered through staffing changes as part of a service redesign which will be completed in quarter 4 of 2021/22.
- **Operational Property - £0.591m** further savings in addition to the £0.646m approved for 2021/22 to be achieved through reductions in the costs of the operational estate through the rationalisation of buildings. Due to the timing around closing some buildings only £0.595m of the savings will be achieved in 2022/23 and the shortfall of £0.642m will be drawn down from the estate transformation reserve.

Covid Adjustments

As part of the 2021/22 budget additional support was provided to allow for reduced income due to the impacts of Covid, particularly on income sources included within the budgets, Total support of £0.598m was provided across the Corporate Core, and this included: -

- £480k reduced court fee income,
- £60k to offset reduced annual leave purchase income
- £58k reduced communications income.

This one-off support in 2021/22 was provided to mitigate the impacts of Covid and is not available for 2022/23. It is expected that the income targets will be fully achieved in 2022/23.

New Budget Proposals for 2022/23

In addition to the £1.153m already approved savings set out above there are further proposed changes to the 2022/23 budgets, and these include: -

Budget Growth and New Investment

As part of the November budget work, several budget pressures were identified, alongside some offsetting savings, in effect reprioritising spending within the

Directorate, details of the pressures and mitigation included in November for both Chief Executives and Corporate Services are set out below:

Chief Executives

Additional funding is required to meet the following:

- An additional £52k is required to meet the additional costs of licenses for the new GDPR system.
- The review of democratic services identified the need for additional capacity requirements in the democratic services team to provide increased support to Committees (£72k).

The above costs will be met from the additional income expected from increased ceremonies in registrars (£50k), increased legal fee income (£49k) and reduced supplies and services (£25k).

Corporate Services

The November budget report identified several budget pressures, along with proposed £0.893m mitigation from within existing approved budgets.

Whilst the £0.893m budget reductions has offset some pressures, there is a net budget increase of c£1.264m which largely reflects two areas of cost that cannot be absorbed from within the Corporate Core:

- The reduction in court summons fees of £0.5m due to the reduction in summons from the increased levels of Council Tax Support provided and changes to debt collection during the pandemic.
- The Gorton Hub is expected to open in 2022/23 and will include both City Council and Partner offices. There is c£0.5m additional resources proposed for both 2022/23 and 2023/24, and this reflects the part year impact of the additional costs, which are a combination of increased costs due to higher specified accommodation, and to cover costs of vacant units until the Hub is fully let. The hub includes additional quality space to meet future requirements for office space and feed into the wider ongoing review of office space and enable future efficiencies. Once the vacant units are let this cost will reduce to c£0.8m per annum.

Details of the above changes proposed as part of the November budget report are set out in the table below: -

Table 4 Proposed Budget Changes – as per November 2021 Report

	2022/23 £'000
Chief Executives	
Legal and Democratic Services - additional £52k ICT licensing costs and £72k additional capacity requirements to support Democratic services.	124
Registrars and Coroners **-** increased income from increased ceremonies	(50)
Legal services increased fee income for works undertaken.	(49)

Reduction in supplies and services budget from new ways of working	(25)
Corporate Services	
Operational Property **–** Increased costs for Gorton Hub to cover the running costs of both Council rented space, and any vacant space until a tenant is secured.	500
Commercial Governance - additional resources in Commercial Governance to ensure all commercial activity is correctly undertaken.	117
Equalities and Diversity – additional capacity to support the Equalities and Diversity work.	50
Finance - additional support costs for the income management system	85
Customer Services and Transactions – Due to the increased council tax support provided to residents and changes to debt collection the number of residents summonsed to court has reduced with a reduction in Court summons fee income.	500
Human Resources & Organisational Development **-** to deliver the identified priority training to all staff across the council additional resources are required.	400
HROD - there has been a reduction in the school's payroll income from loss of schools.	78
ICT – Additional network security and license costs.	100
Internal Audit **-** A reduction in the level of external fee income received, and other resourcing pressures.	227
Policy Performance and Reform **-** reduced project income as more funding programmes from government do not provide any revenue funding for associated staff costs.	100
Corporate Core Sub Total	**2,157**
Capital Programmes - increased fee income and increased efficiencies from shared management arrangements with Northwards.	(230)
A reduction in supplies and services, printing, and mobile telephony costs through new ways of working	(200)
1% increase in vacancy factor across Corporate Services to reflect actual levels of staff turnover.	(463)
Sub Total	**(893)**
Net Total Proposed November Changes	**1,264**

Budget Investment Priorities

The budget proposals that went to November Scrutiny and Executive were in advance of the Provisional Finance Settlement being received and set out the funding proposals for unavoidable cost pressures to cover the rising costs of inflation for example, specific service pressures that had been identified and £7m of efficiency measures to deliver a balanced budget, and these are set out above for The Corporate Core.

The report identified that "should further funding than that estimated be forthcoming as part of the Finance Settlement it is recommended that this is used over more than one financial year to reduce the requirement for future budget cuts."

The report to January Executive set out that the funding announced for 2022/23 makes available £12m to fund additional pressures and emerging risks and that, in line with the agreed approach, "this is used across a three-year period. Full details of suggested priorities for funding will be presented to the Executive in February 2022. This could include priorities such as anti-poverty measures, waste and street cleaning."

In line with the updated Corporate Plan included elsewhere on the agenda and reflecting the political priorities of the Council the following priority areas have been identified.

- Zero Carbon - £0.8m has been earmarked to support delivery of both the council and city zero carbon action plan. This funding will be held in the Policy Budgets until it is allocated to the relevant service areas. Full details can be found in the Climate Change report to the Environmental and Climate Change Scrutiny committee.
- HR Organisational Development - £200k to provide additional capacity in HROD, to support ongoing development of talent and diversity across the council.
- New Protect Duty – *£20k* of funding is required for Manchester's contribution to a shared GM post to support the work of the 10 local authorities in this area.

Support to Residents

In addition to the above a further £0.7m has been identified to provide welfare related support to Manchester residents. Whilst the council cannot mitigate the combined impact of the removal of the £20 universal credit payment, inflation and energy prices and the planned national insurance increase, an amount of funding has been identified to provide targeted additional support.

Free school meals provision has been available for all the school holidays during 2021/22 but there is no further funding to extend this beyond that point. Therefore, it is proposed to use the above funding to extend this support to the Easter Holidays to all children and young people who are entitled to free school meals attending schools and early year settings (including those with no recourse to public funds).

Schools and other educational settings have worked in partnership with the Council on previous grant schemes. We are satisfied that this approach is the best way to capture most children and young people in the city. When determining the number of children and young people entitled and paid during earlier grant schemes the Council has also included "No recourse to public funds" households.

To continue with the same allocation of £15 per child or young person will cost up to £1.2 million. This will be funded from the additional £0.7m to provide discretionary welfare support to residents, the remaining balance of Household Support Grant funding that will be advanced to schools during this financial year.

Support with Council Tax Bills

The Government announced on 3 February that people will get a £150 council tax rebate in April to help with the cost of energy. Whilst the details of how the scheme will work are not yet available, at the time of writing this report the following information is available:

The Government will provide funding for billing authorities to give all households in England whose primary residence is valued in council tax bands A – D a one-off council tax energy rebate payment of £150. This payment will operate outside of the council tax system, using council tax lists to identify eligible households. In Manchester 95% of properties are in bands A to D and the £150 which equates to approximately 230,550 households.

- Households in England in Council Tax Bands A-D will be eligible for a £150 rebate in their council tax bill in April this year.
- The rebate to bills will be made directly by local authorities. This will not have to be repaid.
- 80% of households in England are in Council Tax Bands A-D, so will benefit from this rebate. The rebate will not be paid for second homes or empty properties.
- We expect the vast majority of people who pay by Direct Debit to receive this money in April. For households in Bands A-D who do not pay by Direct Debit, their councils will be ready to process their claims in April.
- For those with council tax bills lower than £150 that month, it will take a bit longer to receive the benefit in full. Almost all households should see the full benefit by May.
- The government is providing new funding to local authorities for these rebates, as well as extra funding to help with increased administrative costs.
- For those who need help with their energy bills but are not eligible – such as households on income support in higher bands (E-H) or with properties in bands A-D that are exempt from council tax – local authorities will receive £144 million of discretionary funding to help.
- Further details will be set out by the Department for Levelling Up, Housing and Communities and local authorities.

Officers are currently awaiting further guidance on how the ‘rebates’ will be funded and the allocation and guidance for the discretionary funding. A delegation to the Deputy Chief Executive and City Treasurer in conjunction with the Leader of the Council is therefore sought to finalise the details of administering the rebate and the associated discretionary fund.

The other changes to the Corporate Core budgets include the following:

Our Manchester

The Our Manchester team have been funded on a time limited basis, and it is proposed that £474k investment is agreed to provide ongoing funding for the Our Manchester team so that they can continue to support The Our Manchester Programme across the council.

Inflationary Pressures

The Corporate Core budgets have been updated to reflect the employers National Insurance increase of 1.25%, this is an increase of £417k across the Core to fund the 'social care levy'. It is broken down £83k Chief Executives and £334k Corporate Services.

Provision has been made for inflationary price increases and potential pay awards. This is held centrally and will be allocated to service budgets when the details are available.

Increased Vacancy Provision

A 1% increase to the vacancy factor has been included in the 2022/23 budget. Current workforce budgets are based on the top of the grade. The vacancy factor has been adjusted to more accurately reflect the fact that many employees are not at the top of the grade and the current levels of turnover. The total efficiency is £2m and this has been allocated across mainstream staffing budgets. Of this Chief Executives has been allocated £87k and Corporate Services £397k. This considers the efficiency savings of £463k already agreed for the Corporate Core as part of the November budget measures.

The Factory Trust Funding Agreement

To support the opening of The Factory the following agreements are being put in place between the operator, MIF, and the council. These include:

The funding agreement - which sets out the conditions for the grant agreement between the Council and MIF. This is a ten-year agreement which started in 2020/21 for £1.5m per annum incorporating the funding support that was previously provided to MIF. This compliments the £9.8m per annum funding from Arts Council England and other government grants. The amount of the Council's contribution was agreed as part of the original funding package to attract government investment for The Factory in Manchester. Prior to this the funding for MIF was £1m per annum from the revenue budget with an additional £500k in each festival year. As part of the 2020/21 budget setting process a reserve was established from the associated business rates growth from the St Johns quarter to cover the majority of the 10-year grant agreement. This means that a reduced amount of £500k per annum is funded from the revenue budget and £1m per annum from the reserve.

The fundraising agreement – MIF are committed to working with the Council to provide a net £24.17m of funding towards the project capital costs. This is being met through philanthropic fund raising led by The Factory Trust charity, and with MIF through a commercial partner, who are seeking naming rights and other commercial sponsorship. MIF are leading the commercial fundraising process on the Council's behalf and a back-to-back agreement is in place. Whilst MIF have committed to resource the commercial fundraising activity, there may need to be cashflow support from the Council, particularly for The Factory Trust.
It is proposed that the support to The Factory Trust is provided by way of grant, underwritten by the Council's MIF reserve. Any cashflow support provided to The

Factory Trust or MIF will be reimbursed when they have raised sufficient funding. It is recommended that any costs are met from the MIF reserve established to meet future grant payments, until the costs are reimbursed.

The Lease - the proposed lease is in line with the arrangements for similar venues such as Bridgewater Hall. MIF will have responsibility for the general upkeep whilst the council will have corporate landlord responsibilities for the fabric of the building. To avoid large unbudgeted costs in the future it is recommended that the liability is split 50/50 and that both parties establish a sinking fund with each partner making an annual contribution of £252k per annum. For MIF this will be held as a ringfenced reserve. For MCC this will be held as part of the AMP reserve.

Table 2 below sets out proposed new changes and an overall total of proposed changes for Corporate Core.

Table 5 – Total Budget Adjustments

	2022/23 £'000
Approved Adjustments as part of 2021/22 Budget	
CHIEF EXECUTIVES	
2022/23 Approved Savings	(25)
Reverse Covid income adjustments	(118)
Net Total Chief Executives	**(147)**
CORPORATE SERVICES	
2022/23 Approved Savings	(1,128)
Reverse Covid income adjustments	(480)
Policy, Performance and Reform – establish mainstream provision for Our Manchester team	474
Corporate Services Net Change	**(1,134)**
New Proposed Budget Changes	
CHIEF EXECUTIVES	
Additional 1% vacancy factor	(87)
1% increased national insurance costs	83
CORPORATE SERVICES	
HROD – Additional resources to support talent and diversity	200
Allocation of £2m staff savings	(397)
1% increase in National Insurance	334
Additional Funding for Residents Support	700
Zero Carbon Funding for resources across the Council	800
Contest – Funding to support Manchester Contribution to GMCA	20
Sub Total New Proposed Changes	**1,653**
Total New Proposed Changes.	**372**
Proposed Changes November (Table 4)	**1,264**
Grand Total Corporate Core Changes	**1,636**

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Appendix 2

Capital budget and pipeline priorities

The current approved capital programme, as at period 9 in 2021/22, is shown below alongside the funding to be used. Details on potential future investment opportunities are also shown, but these remain subject to approval.

Approved Capital Programme

Service Area	2021/22	2022/23	2023/24	2024/25	Total
	£'000	£'000	£'000	£'000	£'000
The Factory and St John's Public Realm	42,650	46,399	-	-	89,049
Corporate Estate - Asset Management Programme	7,778	4,266	-	-	12,044
Corporate Estate - Hammerstone Road	3,799	10,692	8,704	-	23,195
Corporate Estate - Other	1,133	3,948	-	-	5,081
Civic Quarter Heat Network	4,679	1,377	-	-	6,056
Our Town Hall Refurbishment	53,830	86,064	68,071	42,175	250,140
ICT - Network Refresh	2,652	5,394	1,000	-	9,046
ICT - End User Experience	3,350	727	-	-	4,077
ICT - Other	431	722	5,841	-	6,994
Corporate	2,755	-	500	500	3,755
Airport Loan	-	36,248	-	-	36,248
Inflation contingency	-	11,500	5,803	-	17,303
Total	**123,057**	**207,337**	**89,919**	**42,675**	**462,988**

Funding of Approved Capital Programme

Service Area	2021/22	2022/23	2023/24	2024/25	Total
	£'000	£'000	£'000	£'000	£'000
Grant	18,071	6,620	-	-	24,691
External contributions	-	-	-	-	-
Revenue Contribution to Capital	1,955	3,128	500	500	6,083
Capital Receipts	8,809	6,966	-	-	15,775
Borrowing	94,222	190,623	89,419	42,175	416,439
Total	123,057	207,337	89,919	42,675	462,988

Future Investment Priorities

The following projects are potential future investment opportunities, which may be brought forward in the future:

1. Capital investment to support carbon reduction measures on the Council's corporate estate remains a significant priority.
2. Further investment in the Council's core ICT systems and infrastructure, including the Council's payroll, HR, finance ledger and procurement systems.

APPENDIX 3 COMMERCIAL AND OPERATIONS

In addition to the Corporate Core, there are other services that are under the remit of the Resources and Governance Scrutiny Committee, these are traded services with Operations and Commissioning and are set out in the following table: The gross budget is £24.07m, with a net credit budget of £10.536m and a total employee of 352.

Commercial & Operations

Revenue Budget

Commercial and Operations	2021/22 Gross Budget	2021/22 Net Budget	2021/22 Budgeted Posts (FTE)
	£'000	£'000	
Advertising	63	(4,175)	0
Fleet	961	(278)	14
Pest Control	717	114	18
Markets	9,152	(1,079)	52
Catering	3,036	172	219
Management	19	19	0
Bereavement Services	2,429	(1,029)	48
Residual City Works	149	149	0
Off Street Parking	7,242	(4,720)	0
CCTV	302	291	1
Total	**24,070**	**(10,536)**	**352**

Headline Priorities for the Service

Commercial and Operations

- Markets – traditional, local, wholesale and specialist markets.
- Pest Control - tailored service for domestic and business premises to treat, monitor and eradicate pests.
- Bereavement Services - Manchester’s five cemeteries and one crematorium (at Blackley) manage some 3,000 funerals a year, working seven days a week to meet the needs of the city’s diverse cultural communities.

Priorities:

- Investment in New Smithfield Market – business case being prepared.
- Markets – Investment proposals for Gorton and Longsight prepared for potential inclusion in Levelling-Up fund bids.

Commercial

- Civic Quarter Heat Network – providing a sustainable heat and power system to several buildings in Manchester city centre.
- Parking - The service directly supports the transport strategy for the city and our aim is to keep the city's roads safe and moving.

Priorities

- Delivery of outstanding savings from advertising.
- Development of parking strategy and review of on / off street pricing.

2022/23 Revenue Budget

Approved 2022/23 Savings

Members will recall that the 2021/22 approved City Council budget identified over £48m savings over the three years 2021/22 - 2023/24. Of these savings £5.935m related to Commercial and Operations activities, with £5.76m included as part of the 2021/22 budget. Due to the majority of these being through traded services, there have been adverse implications from Covid, and the following savings have not been achieved in 2021/22: -

- Car Parking income £4.1m income following the bringing back in house of the off street car parking arrangements. Due to ongoing restrictions and reduced numbers of individuals working in the City Centre the usage, and particularly the season ticket sales have not returned as quickly as forecast. It is expected that Spring 2022 will see a continued increase in staff returning and so users should increase. This will be retained under review in 2022/23.
- £225k advertising income from the proposed screen in Picadilly Garden. This was not delivered during 2021/22 and revised plans to meet the advertising income budget target are being developed.

Covid Implications on Income

As part of the 2021/22 budget, additional support was provided to allow for reduced income due to Covid. Operations and Commissioning received one off budget support of £3.136m to support the reduction in car parking income This was one off support in 2021/22 and has been removed in 2022/23.

Inflationary Pressures

Provision has been made for inflationary price increases and potential pay awards. This is held centrally and will be allocated to service budgets when the details are available.

	2022/23 £'000
Operations and Commissioning	
2022/23 Approved Savings	(225)
Reverse Covid income adjustments	(3,136)
Net Operations and Commissioning	**(3,361)**

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Manchester City Council
Report for Resolution

Report to: Executive – 19 January 2022

Subject: School Budgets

Report of: Strategic Director for Children's and Education Services

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Summary

The Dedicated School Grant (DSG) is a ring-fenced grant to support the education of children across the city. It is divided into 4 blocks, the largest of which is the Schools' Block element, used to fund individual school budgets in maintained schools and academies.

DSG arrangements for 2022/23 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 had previously opted to maintain the local funding formula. In the summer 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).

The school budget report normally forms part of suite of budget papers that are submitted to the Executive in February for approval prior to the financial year they relate to. In previous years, in consultation with Schools Forum and schools, the Local Authority made the decision not to change the formula and to maintain the existing Local Funding Formula (LFF).

This report recommends changing the basis for the funding allocation across individual primary and secondary school budgets from 2022/23, in order to allow schools a longer adjustment period before introduction of the direct national funding formula. The Local Authority has to submit school budgets to Department for Education by January 2022, giving this requirement the recommendations in the paper need to be considered by the Executive in advance of the February meeting.

Recommendations

The Local Authority has undertaken a modelling exercise in order to better understand the potential financial implications of a move to the NFF and in cconsultation with all schools and through Schools Forum meetings in September and November 2021 it is recommended a **10% transition to NFF values in 2022/23. In addition to the NFF factor for Free School Meal (FSM) at the NFF rate**, with larger capping to ensure affordability.

The Executive is invited to review, comment and approve starting a transition to the National Funding Formula (NFF) in advance of submission of primary and secondary budget to the Department for Education in January 2022.

Wards Affected -

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 how this report aligns to the OMS
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

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Background documents (available for public inspection):

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

1. Introduction

1.1 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.

1.2 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 delegated directly to schools and other settings to provide the majority of education services. A small proportion of the DSG is provided for local authorities to deliver support to schools and education system.

1.3 Currently Dedicated School Grant (DSG) is allocated to Local Authorities on a national formula basis. Once the grant is received, local authorities calculate funding for individual schools based on different factors in their local formulae to reflect additional needs in schools' allocations.

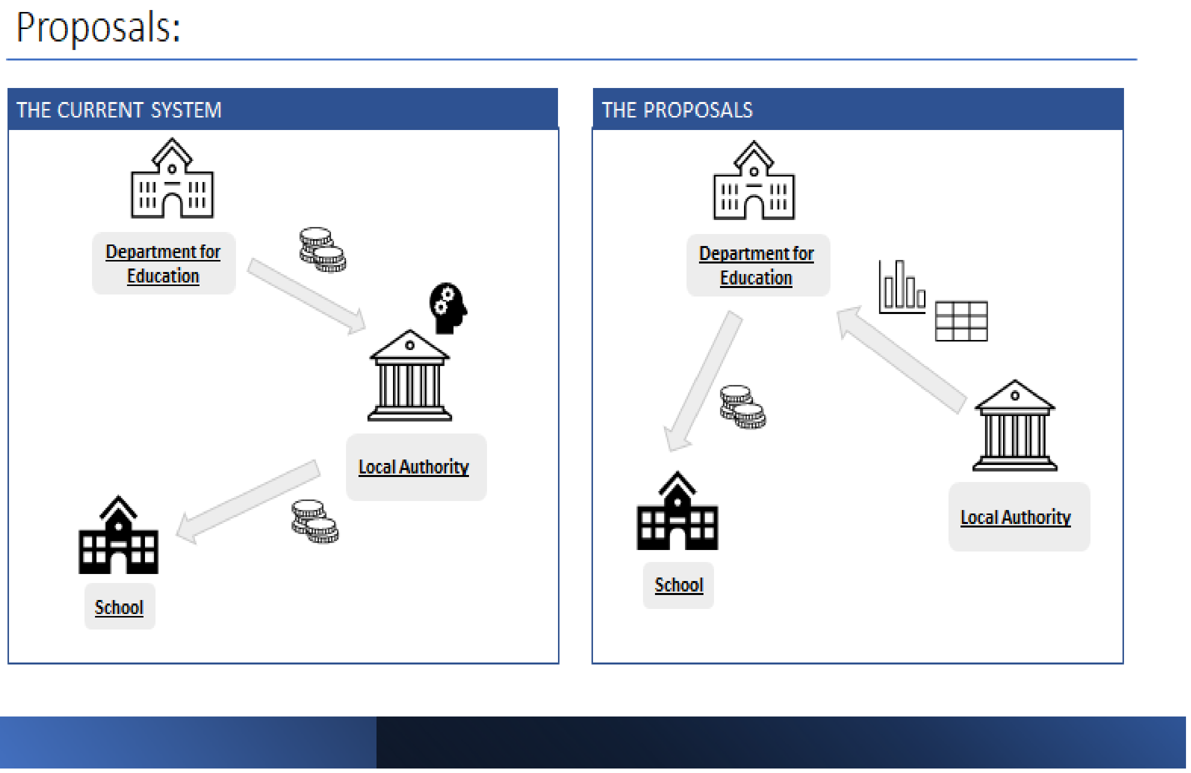
1.4 In July 2021, the Department for Education (DfE) launched a national consultation which seeks to develop a funding system whereby DfE directly funds schools. The DfE plans to move local formulae "progressively closer" to a National Funding Formula (NFF) direct to primary and secondary schools starting in 2023/24.

1.5 This report considers the implications of moving Manchester's local funding formula for primary and secondary schools closer to the national funding formula.

2. Background

2.1 In Autumn 2017 the DfE announced national changes to the school funding formula which will eventually see all mainstream school budgets set using a national funding formula. To date, a 'soft' approach has been undertaken where the funding which local authorities receive is based on the new formula but there continues to be a degree of local discretion in terms of determining the funding formula values and factors used within each local authority area, please see illustration one below.

Illustration one: Current Funding Allocation process and proposed Direct Funding Allocation process



2.2 In the past few years, in consultation with Schools Forum and schools, the Local Authority made the decision to maintain the existing Local Funding Formula (LFF). This afforded schools financial stability whilst preparing for the eventual move towards the direct National Funding Formula (NFF).

2.3 In July 2021, the DfE launched a consultation which seeks to develop a funding system whereby the DfE directly funds schools. Plans to move local formulae "progressively closer" to a NFF direct to schools starting 2023/24. The DfE has confirmed that it does not plan to set a "fixed target date by which the direct NFF will be fully in place".

2.4 The consultation outlined a plan that would involve requiring Local Authority to bring each of its local formula factors "at least 10% closer to the NFF factor value", compared with 2022/23. After an initial 10% movement closer to the NFF in 2023/24, and subject to the impact of this movement, the aim is to move at least 15% to the NFF in 2024/25 and at least 20% in 2025/26. Schools will continue to be protected from cash-term losses in their per-pupil funding by the Minimum Funding Guarantees (MFGs), this ensures that schools receive at least what they did previously on a per pupil basis.

2.5 The Local Authority has undertaken a modelling exercise in order to better understand the potential financial implications of a move to the NFF, whether it be gradual or immediate. This modelling found that individual schools' budgets under each model would be protected at nearly the same levels via operation of the MFG during the transition. Funding under LFF and NFF models would be similar in the short-term.

2.6 The modelling was provided to Schools Forum in September 2021, and is replicated in Appendix One. Following the meeting in September 2021, a consultation was launched with Manchester schools, concluding on the 5th November 2021.

2.7 Consultation results – 44 schools responded to the consultation, which comprised of two questions in principle: (i) do schools support the LA's transition towards the NFF in 2022/23 and (ii) do schools support addition of the Free School Meals (FSM) factor to the local formula.

i. Responses to the first question were overall positive, with 37 schools voting in favor of the proposed transition, stating it would be prudent to begin a gradual transition, allowing schools a longer adjustment period and more time to monitor real-term impacts and undertake multi-year strategic planning. Reduced reliance on the Minimum Funding Guarantee (MFG) and increased stability for schools were also cited as reasons for support. 1 school opposed the proposal, raising concerns that Manchester's currently generous local formula may be adversely impacted by the transition. 6 schools voted as "not sure", primarily based on not having enough understanding of the budgetary impacts, with several schools requesting data on their individual budget shares under the various models.

ii. Responses to the second question were again positive, with 37 schools voting in favor of the proposal, with the view that the additional FSM funding would acknowledge the high proportions of FSM children in Manchester schools and would help support levels of deprivation in the city. 7 schools were "not sure", as they felt they did not have enough information to submit a response, or due to confusion about whether this FSM funding would be additional to the current FSM ever 6 funding or would replace it. The LA clarified it to be the former.

2.8 To allow schools a longer adjustment period before the introduction of the direct NFF and based on the data currently available, it is recommended that the **adoption of a 10% transition to NFF values in 2022/23**, as well as the **addition of the NFF factor for Free School Meal (FSM) at the NFF rate**, with larger capping to ensure affordability. Under this model, there is marginally more funding locked into protected budgets; meaning that school budgets would be protected from big swings year-on-year, and reduces the risk of reliance on MFG, model 2A in Appendix one. This is in line with consultation responses from Schools Forum and schools.

Schools Block Funding Settlement 2022/23

2.9 In mid-July 2021 the DfE announced the provisional School Funding Settlement 2022/23. The allocations are notional. Increasing by 3.2% overall, and by 2.8% per pupil, compared with 2021/22, with the funding floor allocating at least 2% more in pupil-led funding per pupil.

2.10 The settlement was announced on the 16th December 2022. Manchester will receive the minimum, a 2% increase, which equates to £10m for primary and secondary schools in the City, and £8.6m in recognition of additional pupils the City. The Local Authority held Central Services schools block has reduced mainly due to a decrease in the amount grant allocated per pupil. The high needs bock has increased by £9.4m, mainly due to recognition of additional pressures in this part of the grant. The early years block has reduced £3.1m following a reduction in early years children taking up offers, please table one below:

2.10 **Table one: Dedicated Schools Grant Settlement 2022/23**

	2022 to 2023 DSG allocations, before recoupment and deductions for national non-domestic rates, and for direct funding of high needs places by Education and Skills Funding Agency (ESFA)				
	Schools block (£s)	**Central school services block (£s)**	**High needs block (£s)**	**Early years block (£s)**	**Total DSG allocation (£s)**
2022/23	475,053,544	3,796,486	110,024,402	38,807,749	627,682,181
2021/22	456,200,384	3,901,830	100,583,526	41,941,475	602,627,215
Change	**18,853,160**	**- 105,344**	**9,440,876**	**- 3,133,726**	**25,054,966**
Pupil Number change	8,616,670	55,232	695,000	- 4,502,000	4,864,902
Growth Fund	246,091				246,091
Formula Change	9,990,399	- 160,576	8,745,876	1,368,274	19,943,973

2.11 After the provisional settlement the October spending review announcements indicated at a national level a core school budget increase of £4.7bn by 2024/25, compared to original 2022/23 plans, this includes £1.6bn in supplementary funding for 2022/23 budgets, on top of DSG.

Supplementary funding 2022 to 2023

2.12 Manchester's allocation is £18m. Of which £14m is for primary and secondary provision this, the grant is being provided in respect of both the Health and Social Care Levy and other cost pressures. The DfE will publish school-level allocations of the Schools Supplementary Grant in spring 2022. £4m **-** Special schools and other high needs providers is an increase of 4% to the high needs allocations announced in July 2021.

Pupil premium for 2022 to 2023

2.12 DfE have also confirmed funding rates for the pupil premium in the financial year 2022 to 2023 – increasing by 2.7%, in line with the inflation forecasts. Rates for 2022 to 2023 will be:

- Primary FSM6 pupils: £1,385
- Secondary FSM6 pupils: £985
- Looked-after children: £2,410
- Children who have ceased to be looked-after: £2,410

- Service children: £320

3 Recommendations

3.1 The Executive is invited to review and comment on the 2022/23 individual school budgets primary and secondary recommendation of starting a transition to the NFF. More specifically it is recommended that a **10% transition to NFF values in 2022/23**, as well as the **addition of the NFF factor for Free School Meal (FSM) at the NFF rate**, with larger capping to ensure affordability.

4. Contributing to a Zero-Carbon City

4.1 Explain how this helps to make climate breakdown and the environment an integral part of activity throughout the Council, including all decision making?

5. Contributing to the Our Manchester Strategy

(a) A thriving and sustainable city

5.1 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.

(b) A highly skilled city

5.2 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.

(c) A progressive and equitable city

5.3 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.

(d) A liveable and low carbon city

5.4 Improving outcomes for the children and families across the City, helps build and develop whole communities and increases the liability of the City.

(e) A connected city

5.5 Successful services support successful families who are able to deliver continuing growth in the City.

6. Key Policies and Considerations

(a) Equal Opportunities

6.2 Education services provide support and challenge to schools to address gaps in attainment and disproportionality in attendance and exclusion between black, Asian and other ethnic minority groups in the city. They are encouraging all schools to sign up to the Diverse Curriculum Charter developed by Afsal Khan and developing a plan in collaboration with Teaching School hub and school leaders to ensure the school workforce and school leadership better reflects the diversity in the city.

(b) Risk Management

6.2 There are no risk management issues arising from this report.

(c) Legal Considerations

6.3 There are no risk management issues arising from this report.

Appendix 1 – Children and Young People's Scrutiny Committee minute extract – 8 December 2021

CYP/21/60 School Budgets 2022/23

The Committee received a report of the Strategic Director of Children and Education Services which recommended changing the basis for the funding allocation across individual primary and secondary school budgets from 2022/23, in order to allow schools a longer adjustment period before introduction of the direct national funding formula.

The main points and themes within the report included:

- Background information, including national changes to school funding; and
- Proposals to start a transition to the National Funding Formula.

In response to a question from the Chair about whether there were any negative responses from schools to the consultation, the Head of Finance advised that schools wanted clear figures on what the impact would be but that that this level of detail was not yet available, although they had been provided with the information in appendix 1 of the report.

Decision

To note the report.

Manchester City Council
Report for Resolution

Report to:	Resources and Governance Scrutiny Committee – 8 February 2022 Executive – 16 February 2022
Subject:	Housing Revenue Account 2022/23 to 2024/25
Report of:	Strategic Director (Development), Strategic Director (Neighbourhoods) Service and Deputy Chief Executive and City Treasurer

Summary

This report presents members with details on the proposed Housing Revenue Account (HRA) budget for 2022/23 and an indication of the 2023/24 and 2024/25 budgets.

It seeks approval for the 2022/23 HRA budget and follow the Government's guideline rent increase of 4.1% for all properties.

It is also proposed that the City Council continue with the policy of realigning rents on properties at below formula rent, to the formula rent level when the property is re-let.

Recommendations

Scrutiny Committees are invited to review and comment on the proposed HRA Budget.

The Executive is recommended to:

a) Note the forecast 2021/22 HRA outturn as set out in section 4.

b) Approve the 2022/23 HRA budget as presented in Appendix 1 and note the indicative budgets for 2023/24 and 2024/25.

c) Approve the proposed 4.1% increase to dwelling rents, and delegate the setting of individual property rents, to the Director of Housing Operations and the Deputy Chief Executive and City Treasurer, in consultation with the Executive Member for Neighbourhoods and Executive Member for Housing and Employment.

d) Approve the establishment of a £200,000 hardship fund to support vulnerable tenants, and to delegate the design and operation of the fund to the Director of Housing Operations and the Deputy Chief Executive and City Treasurer, in consultation with the Executive Member for Neighbourhoods and Executive Member for Housing and Employment.

e) Approve the proposal that where the 2022/23 rent is not yet at the formula rent level, the rent is revised to the formula rent level when the property is re-let.

f) Approve that communal heating charges are increased in line with the published % increase to the OFGEM price cap and delegate authority to the Deputy Chief Executive and City Treasurer and City Solicitor in consultation with the Executive Member for Housing and Employment to approve the charges.

g) Approve the proposed 2022/23 Operational Housing management costs as detailed in paragraphs 5.28 to 5.29.

h) Approve the proposed increase in garage rental charges as outlined in paragraph 6.1

Wards Affected: Ancoats & Beswick, Charlestown, Cheetham, Crumpsall, Harphurhey, Higher Blackley, Moston, Ardwick, Clayton & Openshaw, Miles Platting Bradford and Miles Platting & Newton Heath and Piccadilly

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Environmental Impact Assessment – the impact of the issues addressed in this report on achieving the zero-carbon target for the city.
As part of developing the HRA capital programme the retrofitting of existing homes to meet zero carbon objectives is at the heart of the 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	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 home grown 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

All expenditure and income related to the provision of Council housing must be 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, this deficit must be covered from reserves and the HRA cannot go into deficit overall. The recommendations in this report will determine the financial plan for 2022/23 – 2024/25 and the impact on the overall financial model contained in the 30-year HRA business plan.

The HRA financial plan covers a rolling period of 30 years and considers all rental incomes, Private Finance Initiative (PFI) grants and heating charges, which must be used for the purpose of funding the costs of managing and maintaining HRA assets. The amount of income budgeted by the HRA in 2022/23 is forecast to be approximately £89m.

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 2022/23 HRA budget includes a forecast depreciation charge of £19m, which will be set aside to fund capital investment.

The assumptions on capital expenditure for the financial years 2022/23- 2024/25 are for expenditure (net of grants) approximately £100m. 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 on the approved capital programme.

From 2025/26 onwards the HRA budget includes an annual capital budget of c£24m per annum which increases annually in line with CPI.

Officers are developing the asset management plan and this will inform the future capital programme and investment plan for our housing stock. This will need to address important issues including ensuring decent homes standards are achieved and maintained, and carbon reduction and fuel poverty are addressed.

The HRA capital budget already allows for the costs and implications of the following new build programmes: -

- Silk Street (69 properties) (2022-23 and 2023-24)
- Collyhurst (130 properties) (2022-23, 2023-24 and 2024-25)

The 30-year business plan factors in the income and costs associated with these new properties entering the portfolio once completed.

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Background documents (available for public inspection):

None

1. Introduction

1.1 The purpose of this report is to approve the Housing Revenue Account (HRA) 2022/23 budget and provide members with recommendations for approval in respect of the 2022/23 tenants' rent, garage rents and communal heating charges.

1.2 Due to the current economic climate and in particular the rate of inflation and the worldwide energy prices it is recognised that this could cause some difficulties for tenants. In order to provide hardship support, £200k funding has been identified to provide a fund to support vulnerable tenants, and the details will be developed in line with best practice and approved by the Director of Housing Operations and the Deputy Chief Executive and City Treasurer prior to implementing the rent increase.

1.3 This report sets out the HRA budgetary proposals for 2022/23, and the indicative position for 2023/24 and 2024/25. Furthermore, it highlights the current use of reserves, along with the risks that need to be managed going forward.

2. Background

2.1 Since the introduction of Self Financing within the HRA from April 2012 the Council has had to manage its housing stock on a similar basis to other Registered Providers of social housing. 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 and sustainable 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."

Indications are that the majority of Registered Providers (RPs) in the City are proposing to increase the 2022/23 rents in line with the above policy, and the City Council are seeking approval to increase in line with other RPs.

2.5 This report is seeking approval for the 2022/23 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.

2.6 The current business plan shows a healthy level of reserves currently, with the forecasts showing that reserves do not fall below the c£60m level required to avoid having to pay increased interest charges on debt until 2035/36 and will show a small surplus at the end of the 30-year period. However, the current plan does not include the majority of works required to enable the Council to achieve its zero carbon targets by 2038, and the costs of retrofitting council stock is estimated to be c.£255m or c£16.5k per property and will not be achievable from within the ringfenced housing account without government support and/or changes to the current HRA regulations.

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 2021/22

4.1 As at December 2021 the HRA is forecasting that net expenditure will be £11.621m lower than budget. Although the expenditure is lower than originally forecast, it is still more than the annual income and the forecast in-year deficit of £5.073m will be drawn down from the HRA reserve. The main reasons for in year changes are as follows:

- Revenue Contribution to Capital Outlay (RCCO)- £10.754m underspend – due to slippage and delays on several capital investment schemes, including major works at Silk Street and Collyhurst, and several planned schemes providing internal refurbishment to homes.

- Private Finance Initiatives - £1.496m underspend due to capital works installing sprinkler systems in Brunswick being moved into 2022-23.

- Operational Housing costs - £0.947m overspend largely due to a combination of increased council tax charges for void properties, energy costs, and repairs and maintenance.

- Contribution to Bad Debts - £0.530m underspend due to a better than forecast collection of rents and a corresponding reduction in the provision for bad debts.

- Other Income - £300k shortfall in income due to delayed income from the ERDF (European Regional Development Fund) which will be received in 2022/23 in relation to solar panels, and rental income from offices following Northwards move back into the Council.

- Other minor underspends totalling £88k.

5. Budget Strategy 2022/23 - 2024/25

5.1 Whilst the HRA financial plan continues to be prepared on the same basis as previous years, it does consider all known changes to housing stock numbers, proposed investment needs and inflationary assumptions in line with the City Council's medium term financial plan. It also reflects the first full year of operation following the bringing back in house of Northwards Housing.

5.2 The HRA budget complies with the statutory requirement to be in balance over the three year budget strategy period, and over the course of the 30 year business plan. However, due to several factors, including the Government's imposed 1% rent reduction over four years from 2016/17 and the impact of the Grenfell Tower fire disaster, the HRA does not currently contain sufficient resources to meet the Council's ambition to become a zero carbon City by 2038. 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 15,400 properties within the HRA under various arrangements. Since July 2021 stock previously managed by Northwards Housing has been brought back under the control of the Council, and this is now managed by Operational Housing within The Neighbourhoods Directorate.

5.4 Management of the remainder of the stock includes three PFI schemes, and two smaller arrangements with other Registered Providers (RPs).

5.5 In the 2021/22 financial year Right to Buy Sales (RTB) have remained at a reduced level due to the impact of the Covid-19 pandemic, and sales of around 138 properties are being forecast. This is less than the number sold in 2019/20 (191 properties sold, 1.22% of stock), and it is assumed that the number of sales will return to a similar level (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 2022/23 budget which is forecasting an in-year deficit of £12.376m. This is due mainly to an increase in the capital investment plans (£33m), due to a combination of works brought forward from previous years, and new schemes such as Silk Street and Collyhurst Village.

Budget Assumptions

Rental Income

5.7 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. The CPI rate used is based on the September figure in the preceding year, and as at September 2021 CPI was 3.1% and therefore this report seeks approval to increase tenants' rents for all properties will increase by 4.1% in April 2021.

5.8 In light of the current economic climate and the potential impact the proposed 4.1% rent increase may have on the most vulnerable tenants it is proposed that £200k is earmarked to provide a hardship fund to provide targeted support to those most affected by the increase in living costs, the proposed rent increase and the ongoing impacts of Covid-19. The proposed scheme detail including application process will be developed in line with best practice across the sector and with support from the Head of Corporate assessments who has responsibility for the delivery of the council welfare support schemes. It is proposed that the scheme will be in operation from April 2022 prior to the rent increase coming into effect.

5.9 In addition to the hardship fund it should be noted that the proposed 4.1% rent increase will be covered in full for those residents in receipt of 100% housing benefit entitlement which is approximately 2,800 tenants and a further c.1,900 tenants receiving partial housing benefit support. Those in receipt of universal credit will also be partially protected from the impact, although the numbers in receipt on universal credit is not known.

5.10 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.

5.11 The budget has been prepared on this basis and would produce an average weekly rent (based on 52 weeks) of:

- General Needs £78.45 (£3.09 increase)
- Supported Housing £71.45 (£2.81 increase)
- PFI Managed £93.85 (£3.70 increase)

Other Income

5.12 Other income is forecast to be c.£0.975m in 2022/23, 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 – Contributions towards grounds maintenance and solar panel income.
- Recharge to Homelessness – rental income in relation to HRA properties used by Homelessness (273 flats/rooms, total income £215k)
- 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

5.13 This budget proposes to continue to charge PFI rents in line with the original rent policy, that is CPI +1%.

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 2022 and will be used to part fund the outstanding HRA debt.

5.15 Additional funding of c£4m has been included in the budget to cover the cost of sprinkler installation in high rise properties managed under PFI agreements, along with lifecycle costs.

Communal Heating

5.16 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.

5.17 Communal heating gas is sourced as part of the City Council overall gas contract and this is up for renewal in April 2022 and although there is no confirmation of the actual increase, what is known is that the increase is going to be significant. The global gas market has seen unprecedented rises this year, with prices currently around 500% to 600% more expensive than the current contract, and it remains volatile with significant swings daily. Officers are continuing to monitor the markets to get the most economically advantageous contract for the Council, but this has not yet been agreed. There is currently no indication of when energy markets will settle, but any future price is likely to be significantly higher than the current contract.

5.18 The dramatic increase in the cost of wholesale gas has caused energy prices to soar across the country, and around 27 energy companies have gone into administration. In the absence of the details of the actual increase in gas costs and to provide tenants with an element of price protection it is proposed that heating prices will be increased in line with the percentage increase to the Ofgem energy price cap which is due to be published in February 2022. Whilst this is anticipated to be a large increase it is expected that there will be some form of support scheme made available to energy users, and officers will support tenants in accessing any support made available. As an indication of the potential impact on heating charges Appendix B includes details of price increases at both 20% and 50%. The actual tenants increase will only be known once the Ofgem Price Cap increase is published.

5.19 Once the gas contract has been agreed more work will be undertaken to assess both the level of charges required to cover costs, and ways in which the impact on tenants can be mitigated

5.20 The gas supply to the 2-4 bed blocks are part of a separate contract, and the price has also not 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 increase in tariff is assumed.

5.21 As part of the Councils Zero Carbon commitment work is continuing to source additional external funding for works, and there continues to be a programme of capital investment that looks to both improve energy efficiency of homes and reduce carbon. This will include c£2m to install new boilers or heat pumps.

Depreciation

5.22 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 2022/23 is forecast to be £19m and this will be used to fund the proposed capital investment programme.

Debt Financing and Borrowing Costs

5.23 The 2022/23 opening HRA debt is anticipated to remain unchanged at £121.26m, and this is funded through a combination of market loans and internal funding through the use of reserves. Using internal funds, 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 if the scheme appraisal would need to ensure that the increased costs of borrowing are factored into the project costs.

5.24 Following the removal of Councils' HRA debt caps, which means that there is no upper limit to the absolute 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 the HRA going into deficit.

5.25 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

5.26 Whilst the roll out of Universal Credit and the pandemic have had an impact on tenants' ability to pay, due to the ongoing good work with residents the level of bad debts has been lower than originally forecast. Therefore, the business plan has been adjusted for 2022/23 onwards. The forecast provision for bad debts in 2021/22 is around 0.65% of rental income, and so the ongoing forecast requirement is 1% for the life of the plan, this is a 0.5% reduction from the previous assumption in the business plan. This is still considered a prudent approach based on the current year's performance, although the impact on households over the coming year from general inflation is currently unknown. The collection rates and levels of bad debts will be kept under review.

Operational Housing - Stock Management Fee

5.27 A major element of the business case that underpinned the transfer of management of stock in North Manchester back to the Council was the savings in management costs that would arise. These, along with one off costs associated with the transfer, have been factored into the business plan, and these are shown below:

	2022-23 £000	**2023-24 £000**	**2024-25 £000**	**2025-26 £000**
Costs: Campbell Tickell Report (Legal, restructuring and management of change) Reduction based on additional costs to date	 1,353 -200			
	1,153	0	0	0

Savings:				
Operational Savings via Transformational Change	-1,532	-1,639	-1,754	-1,877
Management Savings via Transformational Change	-273	-292	-312	-334
Management Roles	-256	-269	-282	-296
Roles Absorbed into MCC and Governance Savings	-336	-353	-370	-389
Total Saving	**-1,244**	**-2,553**	**-2,719**	**-2,896**

5.28 The management fee shown in the business plan includes assumed increases for energy costs and annual pay increases for 2021/22 (still to be agreed) and a forecast for 2022/23. The amounts paid will be adjusted to reflect differences between the actual increases and the assumptions.

5.29 The new repairs and maintenance contract was let to Equans with effect from March 2021, current years costs are forecast to be c£12m, this includes elements of one-off costs in respect of initial mobilisation costs, the budget for 2022/23 is c£11.1m.

Other Expenditure

5.30 Details of other expenditure is detailed in appendix 1 and covers:

- 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 (419 properties), Guinness Partnership (171 properties in West Gorton) and Peaks and Plains (11 properties in Alderley Edge)
- Council Tax – on properties held empty
- 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).

Inflation Assumptions

5.31 The HRA budget includes inflation assumptions in line with the Council's current assumptions in relation to pay and prices. Most of the inflation in the business plan is linked to the consumer price index rate (CPI), which have increased sharply lately. Based on an assessment of forecasts available, CPI has been forecast to peak at around c.6% by April 2022, and then fall back to c4% in the second half of 2022. CPI for the rent increase for 2023-24 has been assumed to be 3% as it is based on CPI in September 2022, and this will be retained under review. Thereafter, the business plan assumes a 2% CPI rate for the remainder of the plan.

5.32 This inflationary increase will only be applied to costs that are not already known, currently the rent income, the PFI unitary charges, and the Operational Housing management costs are known for 2022/23, so the 2% will only apply to a small proportion of the HRA costs.

6. Garage Rents

6.1 It is proposed that 2022/23 garage rents increase by 4.1% in line with the proposed increase for dwelling rents, and the impact of the increase is shown in the table below:

	Annual Charge 2021/22	**Weekly Charge 2021/22**	**Proposed Weekly Charge 2022/23**	**Proposed Weekly Increase**
Site Only	£102.96	£1.98	£2.06	£0.08
Prefabricated	£228.28	£4.39	£4.57	£0.18
Brick Built	£268.32	£5.16	£5.37	£0.21

7. Reserves Forecast

7.1 Current projections show that although the HRA maintains a positive balance of reserves throughout the life of the business plan, the significant costs of undertaking all the required carbon retrofitting works are not yet included in the business plan. The costs of this work are estimated to be around c£16.5k per property, and this will inevitably require additional external resources in order to ensure all works can be undertaken. 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 rate 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 by the use of reserves.

Reserves Forecast 2022/22 to 2024/25

7.2 The table below sets out the forecast reserves position for 2021/22 and the next three years. Based on the December forecast position the HRA closing reserves are forecast to be £109.612m, but these are forecast to reduce by c£11m 2022/23 and further reductions in the following two years. The reduction in reserves relates to the ongoing capital investment proposals.

Reserve Description	2021/22 (Forecast) £000	2022/23 £000	2023/24 £000	2024/25 £000
General Reserve (including Major Repairs reserve)	75,612	63,469	55,766	42,910
Residual Liabilities Fund	24,000	24,000	24,000	24,000
PFI Reserve	10,000	10,000	10,000	10,000
Total Reserves	**109,612**	**97,469**	**89,766**	**76,910**

Insurance Reserve	2,369	2,569	2,769	2,969

7.3 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 2022/23.

7.4 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 2022/23, 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 2022/23 – 2023/24 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.

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Appendix 1

Housing Revenue Account Budget 2021/22 – 2024/25

	2021/22 (Forecast) £000	2022/23 £000	2023/24 £000	2024/25 £000	See Para.
Income					
Housing Rents	(61,646)	(63,713)	(65,807)	(67,120)	5.7
Heating Income	(533)	(681)	(771)	(861)	5.16
PFI Credit	(23,374)	(23,374)	(23,374)	(23,374)	5.13
Other Income	(932)	(975)	(958)	(952)	5.12
Funding from General HRA Reserve	(5,073)	(12,576)	(7,703)	(12,856)	7.1
Total Income	(91,558)	(101,319)	(98,612)	(105,163)	
Expenditure					
Operational Housing Management	14,327	12,845	11,817	11,938	5.27
Operational Housing - R&M	12,035	11,193	11,417	11,645	5.29
PFI Contractor Payments	30,980	32,573	34,410	34,326	5.13
Communal Heating	533	1,019	1,044	1,065	5.16
Supervision and Management	5,296	5,229	5,208	5,277	5.30
Contribution to Bad Debts	400	640	661	674	5.26
Hardship Fund	0	200	0	0	5.8
Depreciation	18,435	18,991	19,359	19,567	5.22
Other Expenditure	1,302	1,391	1,416	1,439	5.30
RCCO	5,487	14,508	10,577	16,537	5.30
Interest Payable and similar charges	2,763	2,730	2,702	2,695	5.23
Total Expenditure	91,558	101,319	98,611	105,163	
Total Reserves (exc.Insurance):					
Opening Balance	(115,118)	(110,045)	(97,469)	(89,766)	7.1
Funding (from)/to Revenue	5,073	12,576	7,703	12,856	
Closing Balance	(110,045)	(97,469)	(89,766)	(76,910)	

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Appendix 2

Proposed Heating Tariffs

The table below shows the implications for 2022/23 heating charges after applying increases of 0%, 20% and 50%. The point of sale customers purchase units of heat via their top up card, whilst the tenants who pay by their rent pay a set weekly fee for their heat and the overall usage is taken into account when calculating future years' charges.

Pay by Rents

Property Type	Area/Scheme	Current Charge per week (2021/22)	Charge if no change in Gas Price	Charge if 20% increase in Gas price	Charge if 50% increase in Gas price
Flat 1 Bed	Grove Village Tenants	£6.49	£5.67	£6.80	£8.50
House 2 Bed	Grove Village Tenants	£8.02	£7.00	£8.40	£10.51
House 3 Bed	Grove Village Tenants	£10.13	£8.85	£10.62	£13.27
House 4 Bed	Grove Village Tenants	£11.69	£10.21	£12.25	£15.31
Flat 1 Bed	Northwards Sheltered - Boiler Supply	£5.09	£5.80	£6.96	£8.70
Flat 2 Bed	Northwards Sheltered - Boiler Supply	£6.18	£7.04	£8.45	£10.56
Flat 1 Bed	Northwards Sheltered - Other supply	£5.09	£0.00	£6.96	£8.70
Flat 2 Bed	Northwards Sheltered - Other supply	£6.18	£0.00	£8.45	£10.56
2/4 Block	Northwards 2/4 Blocks - All Others	£5.67	£5.63	£6.75	£8.44
2/4 Block - Fuel	Northwards 2/4 Blocks - Fuel Supplement	£0.49	£0.48	£0.58	£0.72
Multistorey Flat	Northwards - Multistorey - Sandyhill	£5.25	£5.84	£7.01	£8.76
Type A	Northwards - Victoria Square	£5.48	£5.52	£6.63	£8.29
Type B	Northwards - Victoria Square	£5.89	£5.94	£7.13	£8.91
Type C	Northwards - Victoria Square	£6.33	£6.39	£7.67	£9.58
Type D	Northwards - Victoria Square	£6.58	£6.64	£7.96	£9.95
Type E	Northwards - Victoria Square	£8.43	£8.50	£10.20	£12.75
Caretaker	Northwards - Victoria Square	£10.10	£10.18	£12.22	£15.28
Flat 1 Bed	Brunswick Sheltered (removed)	£5.09	£0.00	£6.96	£8.70
Flat 2 Bed	Brunswick Sheltered (removed)	£6.18	£0.00	£8.45	£10.56

Pay by Point of Sale

Scheme	Current Charge per heat unit in pence (2021/22)	Charge per unit in pence if no change in Gas Price	Charge per unit in pence if 20% increase in Gas price	Charge per unit in pence if 50% increase in Gas price
Grove Village	5.01	4.38	5.25	6.56
MECO	7.63	7.30	8.76	10.95
Northwards 2/4 Blocks	9.76	9.76	9.76	9.76
Northwards Multistorey	7.18	6.88	8.25	10.32
Victoria Square	5.29	3.13	3.75	4.69
Brunswick Multistorey & Polygon & Extra Care	9.76	11.02	13.22	16.53

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 Strategy and Budget 2020/21 to 2024/25

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

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Summary

The purpose of the report is to present the 2021/22 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 6, 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 2021/22.

(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 2021/22 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.

(5) Approve the proposed write off two long-term debtors, (EoN Reality £1.1m and Band on the Wall £0.2m) and delegate to the Deputy Chief Executive and City Treasurer to set out the terms and accounting treatment for the write offs.

The Council is requested to:

(1) Approve the budget changes for the capital programme noted in section 6.

(2) Note the capital programme as presented in Appendix 3 (£329.0m in 2021/22, £533.1m in 2022/23, £255.1m in 2023/24 and £65.9m in 2024/25) which will require prudential borrowing of £708.2m to fund non-HRA schemes over the four-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 2021/22.

(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 2022/23 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.

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 £708.2m (all non-HRA) of prudential borrowing over the period 2021/22 to 2025/26. 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 forecast for 2021/22 is £329.0m, including new projects included in this report, of which £169.3m is forecast to be funded from borrowing. Across the forecast period 2022/23 to 2025/26, the forecast is £854.1m, of which £538.9m is forecast to be funded from borrowing.

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Attachments

Appendix 1: Capital Approval Process flowchart
Appendix 2: Proposed Amendments to the Capital Budget
Appendix 3: Detailed Capital Programme 2021/22 – 2025/26
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 17th February 2021 – Capital Strategy and Budget 2020/21 to 2024/25
Report to Council 5 March 2021 (Capital Strategy and Budget 2020/21 to 2024/25)
Report to the Executive 17th March 2021 - Capital Programme Update
Report to the Executive 2nd June 2021 – Capital Programme Update
Report to the Executive 30th June 2021 – Capital Programme Update and Capital Programme Monitoring 2020/21 Outturn
Report to the Executive 28th July 2021 – Capital Programme Update
Report to the Executive 15th September 2021 – Capital Programme Update
Report to the Executive 20th October 2021 – Capital Programme Update
Report to the Executive 17th November 2021 - Capital Programme Monitoring 2021/22
Report to the Executive 19th January 2022 – Capital Programme Update

1 Introduction

1.1 As part of the suite of budget reports presented on this agenda, Executive and Council are recommended to approve the updated Capital Strategy for 2021-25. 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 This 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 approval process.

2 Strategic Context

2.1 The Capital Strategy has been prepared as the national economy and fiscal position emerges from the impact of the COVID-19 pandemic. Whilst there are some improvements in the Office for Budget Responsibility's (OBR) economic forecasts inflation has reached it highest level for more than three decades with CPI expecting to reach 6% by Easter 2022.

2.2 The COVID-19 pandemic is continuing to impact on the delivery of the capital programme. Whilst the early impact was related to site access and a slowdown in work programmes, it is now been felt in the significant inflationary pressures on the supply of materials and labour. The December statistics for inflation in the construction industry published by the Department for Business, Energy and Industrial Strategy highlight that the material price index for all work increased by 22.7% in November 2021 compared to November the previous year. This included price increases of 66.1% for fabricated structural steel and 60.4% for particle board in the same period. Whilst these will be absorbed through project contingencies where possible, it is an important consideration within the Strategy.

2.3 The Spending Review included announcements on a number of new potential capital funding sources. The UK Shared Prosperity Fund (when available) is expected to be on average £0.9bn a year across the UK, based on the profile announced in the 2021 Autumn Spending Review, to match the receipts from EU structural funds which have previously been received. Further details on accessing funding are expected during 2022. Other available funds include 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. Opportunities to use this funding will be maximised and they could play a significant role in supporting the capital programme.

2.4 Manchester is one of the fastest growing cities in England, according to recent ONS data. The capital strategy will need to support the council to capitalise on the opportunities this brings and to be able to maximise any funding opportunities available. The negative impact of cost-of-living increases and welfare changes are keenly felt by many of our residents. Ensuring good connectivity to the jobs created, facilities to support strong communities and places where people want to live and work, and a strong affordable housing offer are equally important. There will be an increased focus on:

- Creating a more inclusive economy – capturing our own growth and connecting more of our residents to the city's success, especially those residents experiencing inequalities.
- Tackling poverty and inequality – reducing poverty and increasing wealth in Manchester in a way that addresses the deep inequalities that exist in the city, including health inequalities.
- Housing – increasing the supply of affordable housing and creating more diversity in housing tenure.
- Neighbourhoods – create thriving communities
- Climate and zero carbon – making Manchester a leader in the fight against climate change and reaching our goal of being a zero-carbon city by 2038.

The Greater Manchester Context

2.5 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.

2.6 Following the publication of a one year "Living with Covid Resilience Plan" in 2021, a fully refreshed Greater Manchester Strategy will be launched in February 2022. The focus of the new strategy is to create a greener, fairer and more prosperous Greater Manchester, tackling the inequalities that exist in the city-region and which have been worsened by the clinical and economic impact of COVID. The strategy will provide the overarching framework that supports the GM Industrial Strategy, Housing Strategy, Spatial Framework and Internationalisation Strategy.

Our Manchester Strategy for the City

2.7 The Our Manchester Strategy 2016–2025 sets out the future ambitions for Manchester. It details the goals that everyone in our city – our public, private, voluntary and community organisations and our residents – will work on together to put Manchester in the topflight of world cities by 2025. In 2020 we reset these priorities to acknowledge and look beyond current challenges and make sure the city achieves its ambition. The reset of our strategy was based on over 3,800 consultation responses and place a renewed focus on young people, our economy, health, housing, our environment, and infrastructure.

2.8 The five themes of the Our Manchester Strategy are:

- A thriving and sustainable city
- A highly skilled city
- A progressive and equitable city

- A liveable and zero carbon city
- A connected city

2.9 Through each priority runs Manchester's commitment to build a more equal, inclusive and sustainable city for everyone who lives, works, volunteers, studies and plays here. Only by working together can we achieve our vision by making an impact on our priorities of making Manchester:

The Manchester Economic Recovery and Investment Plan

2.10 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 launched in 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 of 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 Victoria North; a major housing and regeneration initiative.

2.11 Since the plan was adopted, Manchester City Council has been working collaboratively with our partners on a range of workstreams to support the city's recovery. This has included distributing grant funding to businesses, working with training providers to link made unemployed to new opportunities, and successfully applying for central government funding to deliver regeneration projects such as the refurbishment of Campfield Market Hall.

Other City Council Priorities

2.12 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.

3 Development of the Capital Strategy

3.1 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.

3.2 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.

3.3 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.

3.4 The priorities for the Capital Strategy are therefore:

- ***Investment into neighbourhoods and communities.***

    - to support new and expanded high quality primary and secondary school facilities for a growing population;
    - sustaining core assets such as parks, leisure facilities, community facilities and libraries for Manchester residents;
    - to support businesses and residents to create thriving district centres with appropriate retail, amenities and public service offer;
    - to ensure that there is a sufficiency of facilities in the city to support the demands within our adults and social care system;

- ***Investment in growth and regeneration – to support employment growth through a strengthening and diversification of the economic base and efficient use of land.***

- Catalytic in supporting recovery and economy and delivery of the Recovery Plan
- Delivery of major regeneration schemes in the north and east of the city: North Manchester including North Manchester General Hospital, Victoria North, and Back of Ancoats and Holt Town
- Eastern Gateway
- To promote the role and continuing growth of the City Centre as a major regional, national and international economic driver.
- Securing investment for an internationally competitive cultural and sporting offer

- ***Delivery of the Zero Carbon Action Plan*** and achieving net carbon zero by 2038 at the latest in the city, as set out in the Zero Carbon section of this report. This will need to cut across all the Council's investment priorities.

- ***Delivery of the Housing Strategy*** 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.

- ***Maintaining our corporate assets.*** Investing in highways and road safety, the Asset Management Plans, and ICT, alongside seeking to maximise the use of the corporate and investment estate, to ensure Manchester is a well-managed council.

- ***Investment in new and upgraded transport infrastructure,*** including delivering the Highways Investment Programme, and further investment in schemes which support modal shift and active travel.

3.5 The above sets out ambitious priorities. The Council has to set a capital budget which is affordable and sustainable within its revenue budget and some difficult prioritisation decisions will be required.

3.6 This report includes 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, become viable and are approved. Likewise, a number of programmes, such as highways and schools' maintenance, are funded via government grants and these will be brought into the programme when the funding is confirmed.

4 Zero Carbon Capital Investment

4.1 The City Council has declared a climate emergency and is seeking to become carbon neutral by 2038 at the latest, requiring the Council to reduce its direct carbon dioxide emissions by at least 50% by 2025.

4.2 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.

4.3 The Council has an important leadership role working alongside the Manchester Climate Change Partnership and GMCA. This includes the development of the Local Plan and the implementation of the Manchester Low Carbon build standard for new developments planned for 2023, the delivery of the Green and Blue infrastructure plan and related pieces of work. Our direct investment will include work such as delivering the Tree Action Plan (year 2 complete including a £1m contribution from MCC for tree planting programme) and rolling out the learning from West Gorton Park into new developments including Victoria North and Mayfield.

4.4 Last year the Council formally adopted the Manchester Low Carbon Build Standard for all new developments directly delivered by the council, following its endorsement by the Manchester Climate Change Agency. The Standard sets minimum expectations which should be followed by all Council schemes, with zero carbon exemplar schemes actively encouraged.

4.5 A significant challenge remains the retrofit of the city's housing stock. The Council has worked with Greater Manchester on the recently approved *retrofitGM: Accelerating the Renovation of Greater Manchester's Building* to reduce carbon emissions from how buildings are heated. The strategy has the three aims of boosting skills, improving access to funding and investment and speeding up delivery, and the work is led by the GM Decabonisation Taskforce which includes our Registered Providers. The council is holding a Low Carbon Homes event in March designed to be a call for action for this work.

4.6 As the majority of the Council's carbon emissions are from its existing corporate estate and the Council has a responsibility to reduce emissions across the Northwards and partner managed housing stock, significant investment will be required to bring these buildings 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 to ensure that the city's residents are given the best possible opportunities to access these new careers.

4.7 The delivery of the Council's Climate Change Action Plan (CCAP) requires both revenue and capital investment from multiple funding sources over multiple financial years.

4.8 To date, we have already put in place investment of approximately **£192m** to deliver the 5-year Plan. The breakdown of this funding by source is as follows:

- **£76.4m** via the Council (including investment in LED streetlighting replacing lights with LED lights with lower emissions, the completion of the Civic Quarter Heat Network powering council buildings with cleaner energy, Estates Carbon Reduction, purchase of Electric Refuse Collection Vehicles, Tree Planting, and new climate change posts)
- **£65m** from UK Government (including funding for Mayfield Park, Public Sector Decarbonisation Scheme which has funded part of the Council's carbon reduction programme to reduce the carbon output of our operational estate, Active Travel, Social Housing Development Fund, HNIP grant contribution to Civic Quarter Heat Network)
- **£41m** from the GMCA (including Active Travel, GM Mayors Challenge Fund)

- **£4.3m** from the European Union (including ERDF funded Unlocking Clean Energy, Horizon 2020 funding for West Gorton Park, URBACT C-Change and Zero Carbon Cities projects and e-cargo bikes).
- **£4.3m** from partners (including One Manchester contribution to the Social Housing Decarbonisation Fund)
- **£1.1m** from the Manchester Climate Change Agency (including Zero Carbon Communities and Climate Resilience

4.9 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;
- continued investment in the Corporate Estate to improve energy efficiency given the estate accounts for roughly 70% of the Council's carbon emissions;
- investment in a solar farm (directly or via a PPA) to provide zero carbon electricity to the Council's estate;
- retrofit works to the Council's housing stock to move towards it being carbon neutral; and
- further investment in green energy solutions.

4.10 Capital investment aimed at reducing carbon must focus on projects which will make the biggest difference in order to make the most effective use of our resources.

5 Governance and Asset Management Planning

5.1 Capital expenditure can only be 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.

5.2 Potential capitalisation flexibilities including the use of capital receipts to support revenue expenditure for service transformation, have not been utilised. This will be continue to be reviewed in the light of the ongoing revenue budget challenge and the significant changes the Council is expected to deliver.

5.3 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.

5.4 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.

5.5 Any capital investment proposal is peer reviewed and within the Council there are commercial and public sector professionals who carry out this work. 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.

5.6 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.

5.7 The approved capital programme includes several asset management programmes for the operational estate, housing, highways and schools. The Council also holds assets for expected future regeneration projects. Work is undertaken to ensure that these assets are maintained. Some assets, 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. Work is being completed to review the use of the corporate and investment estate to ensure an appropriately scoped Asset Management programme and the value from the estate is maximised.

5.8 There remains a strong focus on achieving value for money. The Capital Programmes function was peer reviewed in 2021 by PWC, which identified several opportunities for improvements to governance and accountability. An action plan is being developed to implement changes across the capital approval process, following work with our advisers, Future Gov.

6 Changes to the Capital Programme

6.1 In line with the strategic objectives set out above, there are a number of schemes which have been developed and are ready for inclusion in the capital programme. These are summarised below and have been prioritised because they support annual business as usual investments, specifically continuing the investment in highways maintenance and road safety, the continuation of the asset management plan to ensure that the Council's assets are maintained, and the effective use of ICT to support the Council in being well-managed.

6.2 A summary of the schemes, funding and profile of spend can be found at appendix 2 and are summarised below. The total increase to the programme would be £44.1m. These schemes are included in the proposed programme shown in section 8 and are affordable within existing and forecast capital resources.

For Executive approval:

- ICT: Platform Compliance 2. This scheme will fund three projects to enable the continued effective operation of core systems for the Revenues and Benefits service. This includes replatforming Academy, migrating Information@Work and installing and upgrading Email Connect. A capital budget decrease of £0.246m is requested funded from borrowing along with a corresponding revenue budget increase of £0.246m funded from Capital Fund.

- ICT: Corporate Recruitment Solution. The recruitment process is bureaucratic and frustrating for managers and the current ICT system is not fit for purpose and out of contract in 2022. As part of the Future Shape programme work is underway to streamline this including investment in a new corporate recruitment solution. A capital budget decrease of £0.240m is requested funded from borrowing along with a corresponding revenue budget increase of £0.240m funded from Capital Fund.

- Highways: HS2 Highways Support. This request is for funding for resources required to effectively respond to the HS2 proposals currently under consultation. A capital budget decrease of £0.310m is requested and approval of a corresponding transfer of £0.310m to the revenue budget, funded by Capital Fund.

For Council approval:

- Highways – Investment Plan additional year. It is recommended that the investment plan is extended by a further year prior to the completion for the full business case for what will be required to support the council's road network for the next 3-5 years. This includes funding for road and footwork improvements (£14.129m), drainage repairs (£2m), to develop preliminary designs for funding bids for infrastructure development funding, eg active travel, (£1.5m). A capital budget increase of £17.629m is requested in 2022/23. This will be funded from estimated government grant of £4m and borrowing of £13.629m. Once the final government grant is known the budget will be adjusted accordingly.

- Growth – Asset Management Plan additional year. To fund an additional year of funding for the asset management programme to enable capital replacement and improvement works across the Council's operational and heritage assets and buildings where the Council has landlord responsibilities. A budget increase of £9.4m is requested funded from capital receipts.

- Growth – Strategic Acquisitions additional year. To enable the Council to make acquisitions of land and property which are of strategic importance, a budget increase of £3.0m in 2022/23 is requested, funded from the Capital Fund reserve.

- Public Sector Housing: Sprinkler Systems – Tower Blocks PFIs. The scheme will commence the programme of works to tower blocks within the Miles Platting and Brunswick PFI areas. The work will cover 11 tower blocks and the adjoining extra care scheme. A capital budget increase of £0.786m in 2021/22, £1.754m in 2022/23 and £1.474m in 2023/24 is requested, funded by HRA Reserves, also £0.147m in 2022/23 funded by Capital Receipts.

7 Inflation

7.1 Inflation continues to pose a significant risk across the capital programme particularly where contracts are not yet agreed. There are options available, such as entering fixed price agreements or elevating risk costs, but the inflationary risk is likely to be priced in on a prudent basis. Existing projects have contingency budgets, but these may not be fully able to accommodate the current high level of construction inflation and additional funding for some schemes may be required.

7.2 There is an inflation contingency budget of £17.3m for the whole programme which can be accessed if inflationary pressures are greater than the contingency budgets in the existing cost plans. Given the scale of inflation in the construction industry and the likelihood that it will remain high for some time, it is proposed that an additional £10.7m is added to the inflation budget, funded from borrowing to ensure existing budget provision exists if schemes are affected by inflation.

8 Proposed Capital Programme from 2021/22

8.1 The capital programme 2021/22 to 2024/25 includes existing programme and approved schemes only. The pipeline priorities and externally funded programmes will be added as they are approved. The programme is based on that forecast as at the end of December 2021, which is reported elsewhere on the agenda, and the proposed schemes noted above. Details of the potential pipeline schemes are also contained below.

8.2 The forecast spend for 2021/22 is £329.0m. The profile of capital expenditure will be updated as projects develop through the design stage or if the resource position changes and will be reported to Executive in the regular Capital Update and Monitoring reports.

8.3 The proposed forecast programme is summarised in the table below:

Forecast Budgets	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**Total**	***Total 22/23-24/25***
	£m	**£m**	**£m**	**£m**	**£m**	***£m***
Manchester City Council Programme						
Highways	40.9	64.7	0.6		**106.2**	***65.3***
Neighbourhoods	35.7	62.7	15.5	0.9	**114.8**	***79.1***
The Factory and St John's Public Realm	42.7	46.4			**89.1**	***46.4***
Growth	64.3	95.7	61.3	5.0	**226.3**	***162.0***
Town Hall Refurbishment	53.8	86.1	68.1	42.2	**250.2**	***196.4***

Housing – General Fund	17.1	27.4	37.0	2.7	**84.2**	***67.1***
Housing – HRA	24.7	39.4	31.9	14.6	**110.6**	***85.9***
Children's Services (Schools)	31.1	37.1	1.0		**69.2**	***38.1***
ICT	6.4	6.8	1.0		**14.2**	***7.8***
Corporate Services	12.3	11.0	0.6	0.5	**24.4**	***12.1***
Total (exc. Contingent budgets)	**329.0**	**477.3**	**217.0**	**65.9**	**1,089.2**	***760.2***
Contingent Budgets	0.0	55.8	38.1		**93.9**	***93.9***
Total Programme	**329.0**	**533.1**	**255.1**	**65.9**	**1,183.1**	***854.1***

8.4 The proposed programme is large and complex, with over 180 schemes to be delivered across the next three years, in the context of a challenging delivery market, particularly due to supply issues and inflation. On a project-by-project basis there will be optimism bias with regards to how quickly projects can progress and be delivered, which means that the forecast for 2022/23 is highly ambitious.

8.5 Historically, excluding financial support classed as capital expenditure, the Council has capital expenditure of around £200-250m on an annual basis. A highly focussed review of the programme will be undertaken before the outturn report, when the budget will be re-profiled to take into account re-profiling required from 2021/22, to seek to remove elements of the optimism bias and forecast a reasonable level of capital expenditure over the next three years.

8.6 The programme contains some contingent budgets reserved for a particular purpose, such as Education Basic Need funding, the ICT Fund and the budget for inflation pressures. These will be allocated when the individual schemes are approved through the Council's capital approval process.

8.7 Further details of the major schemes included are set out in this report and a full list of the projects and the forecast split by financial year is shown at appendix 3.

9 Highways

9.1 The Highways capital programme consists of the investment in the City's highways network, including road safety works, work on bridges and cycle paths. The programme is forecast to be £65.3m between 2022/23 and 2024/25 and the primary schemes within the programme are detailed below.

9.2 The Highways Maintenance Investment Programme (£29.4m) 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 programme (£2.7m) will continue to ensure that the Council's bridge assets across the highways network are maintained according to statutory guidelines.

9.4 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 Accident Reduction and Local Community Safety scheme and projects for highway improvements around schools (£3.1m) 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.

9.5 The Chorlton Walking and Cycling Scheme (£4.3m) has completed a number of phases and onsite for the remaining phases of the route with the final section designed and awaiting GMCA approval. All works are programmed to complete in 2022/23 creating a safe 5 km route from Chorlton Park and linking with existing routes into the city centre. The Northern Quarter Scheme (£7.3m) has completed works on a number of key locations across the scheme including Tarriff Street and Thomas Street. Further sections of the scheme are progressing with designs to create an east/west walking and cycle route between Piccadilly Station and Victoria Station via the Northern Quarter. Works will make the streets safer, greener and better for everyone, especially for those on foot or bicycle. Other externally funded walking and cycling schemes include the Fallowfield Loop and Yellow Brick Road (Manchester Cycleway), Victoria North and Eastern Gateway route and the Levenshulme and Burnage Active Neighbourhood improvements have all delivered initial works with full scheme delivery following in 2022/23.

9.6 Traffic Free Deansgate Permanent works (£1.2m) funding is being used to promote the road closures and include for automatic bollards and any other infrastructure to support a safe and secure scheme.

9.7 The Public Realm programme (£0.7m) will support the maintenance and development of the Council's public realm assets.

9.8 The Street Lighting Private Finance Initiative (PFI) project (£0.8m) is continuing to 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, and contribute to reducing the Council's carbon emissions.

Potential Future Investment

- A significant proportion of the Highways Capital programme is funded from government grant. An estimate has been included in the budget increase above and will be confirmed once the funding has been allocated.

- Further investment in Highways, following the end of the original Highways Investment Plan, will form part of the prioritisation process noted above with a business case for further investment to continue to improve the highways and footways network, which can complement the government grant funding.

- Following the public consultation of the City Centre transport strategy, feasibility studies will be conducted for the design of the key transport corridors across the City Centre, with further investment funded from the existing budget for other highways improvements.

- The closure of Deansgate has been progressed, with the permanent traffic orders expected to be published soon. Work on a linked scheme at King Street is expected, followed by a new bus gate on New Bailey Street.

- Ongoing review of accident prevention and local community safety measures. A budget of £2m was included in the programme for 2021/22 and any unused resources will be carried forward into 2022/23.

- 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 and feed into proposals established between MCC and TfGM as part of City Regional Sustainable Transport Settlement plans agreed between government and the sub-region. This will establish the future programme of highways schemes including the development of several key corridor routes into the city, the Streets for ALl Programme, and city centre bus connectivity.

- Investment to support the further works on several major projects where highways infrastructure will play a key role. Currently proposals include consideration of HS2, Etihad Campus, the Ancoats Mobility Hub, Victoria North 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 £79.1m between 2022/23 and 2024/25, as shown in the table below, and the primary schemes within the programme are also detailed below:

	2021/22 budget	**2022/23 budget**	**2023/24 budget**	**2024/25 budget**	**Total**
	£m	£m	£m	£m	**£m**
Environment and Operations	11.6	2.8			**14.4**
Leisure	23.3	58.1	14.0	0.9	**96.3**
Libraries	0.8	1.8	1.5		**4.1**
Total Neighbourhoods	**35.7**	**62.7**	**15.5**	**0.9**	**114.8**

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 (£0.4m), including to make them clean air compliant, on a spend to save basis. The loan will be repaid through reduced service costs.

Leisure, Libraries, Galleries and Culture

10.3 The Parks Investment Programme (£9.2m) 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 and library (£15.7m). 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 (£25.2m) will return the building to a compliant venue for all current uses, to modern standards, and will incorporate carbon reducing technologies.

10.6 National Cycling Centre refurbishment (£18.6m) has commenced and will fulfil the Council's maintenance obligations and ensure the building is fit for purpose, incorporating carbon reducing technologies.

Potential Future Investment

- Recognising the importance of culture to the economic recovery of Manchester, potential investment to support cultural and creative industries, particularly where such investment can be leveraged against external funding.

- The development of New Smithfield Market with work continuing to understand the scope of such works and the implications for the Council.

- Investment to update crematoria, and other markets.

- 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 management of Council funds jointly controlled with Sport England, the ability to access other national funds and some use of City Council resources. This is expected to include the Hub at Hough End.

- Further investment in the library estate, including the self-service systems, 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 continue to be brought forward.

- Redevelopment of the North Manchester General site will form part of the regeneration of North Manchester, linking with the planned Victoria North investment as well as the provision of the new hospital and associated health facilities. Initially this is expected to 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 The Factory and St John's Public Realm

11.1 The Factory and St John's Public Realm programme is for the creation of the Factory cultural facility, and the public realm works required in the surrounding area. The programme is currently forecast to be £46.4m between 2022/23 and 2024/25 with planned spend currently £42.7m in 2021/22.

12 Growth & Development

12.1 Growth & Development includes the programme for the Council's property assets, and investment in neighbourhood development and cultural facilities. The programme is forecast to be £162.0m between 2022/23 and 2024/25, as shown in the table below, and the primary schemes within the programme are also detailed below:

	2021/22 budget	2022/23 budget	2023/24 budget	2024/25 budget	Total
	£m	£m	£m	£m	£m
Corporate Property	33.0	35.5	15.5	5.0	**89.0**
Development	31.4	60.2	45.8		**137.4**
Total Growth & Dev't	**64.3**	**95.7**	**61.3**	**5.0**	**226.3**

Corporate Property

12.2 The Asset Management Programme (£13.7m) will ensure that the Council's assets, including its elite sporting assets, are well-maintained.

12.3 In addition to this programme the Hammerstone Road Depot project (£19.4m) will continue. This investment will allow other sites to be released and reduce the maintenance costs associated with these sites.

12.4 The continuing Carbon Reduction Programme (£19.0m) 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.

12.5 Funding remains set aside (£2.7m) for maintenance works at priority Early Years Tendered Daycare sites, fulfilling the Council's duty to oversee sufficient day-care for preschool children across Manchester.

Development

12.6 The Sustaining Key Initiatives (£7.7m) 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.

12.7 The Victoria North investment plan (£14.4m) will lead to significant residential growth in the neighbourhoods of New Cross, Red Bank 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 (£46.8m) which will support land remediation, investment in utility networks, the first phase of a new City River Park, river improvements and flood mitigation works, and new roads, footpaths and cycleways to prepare the Red Bank neighbourhood area for development. This will create a development platform for approximately 5,500 new homes which will be delivered over a 10-15 year period.

12.8 Works will continue on the refurbishment of the existing National Squash Centre to create the House of Sport (£4.4m).

12.9 Public realm investment will continue in the city centre with the ongoing design, survey and demolition works at Piccadilly Gardens (£1.4m), and the procurement of a design team which will support the future planned improvement to the gardens.

12.10 The Civic Quarter Heat Network (£1.4m) project provides 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 help achieve the City's aim of reducing carbon emissions.

12.11 Campfield Redevelopment will utilise Levelling Up Government funding (£17.5m) to repair, restore and fit out two Grade II listed historical market building assets for future the expansion of the existing Exchange tech hub located in the Bonded Warehouse, together with the environmentally sustainable refurbishment of Middle Campfield (Castlefield House) which is being undertaken by the developer. The buildings will be targeted towards the media, tech and creative sectors. Funding is also available (£3.8m) to acquire the freehold interest in Castlefield House.

12.12 Further Levelling up funding (£1.9m) will be used for the Home Arches. The Project will transform three railway arches situated between HOME's building and Whitworth Street West into a talent development centre for artists of all ages, disciplines and stages of their careers

Potential Future Investment

12.13 The programme includes the Asset Management Programme (AMP) which is kept under review to ensure it is a comprehensive programme for all Council assets and which, as noted above, will form part of the prioritisation process for capital investment. The asset based will also be reviewed as part of a Strategic Asset Management Plan, with the intention being that this will be conducted on a cyclical basis to ensure that the Council makes best use of the assets it holds.

12.14 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 continue to be actively explored in line with the Council's Climate Change Action Plan.

12.15 The Growth and Development pipeline is wide and varied and the 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, Victoria North, Eastern Gateway, and other areas for development such as Wythenshawe Town Centre and other district centres.

- Investment in public realm, particularly in the city centre, to drive economic growth and attract new investment, will focus on the pipeline highlighted in the Economic Recovery and Investment Plan, including Mayfield, Piccadilly Gardens and active travel hubs. It may also include other public realm schemes currently being considered through feasibility studies. These include Deansgate/Blackfriars and Stephenson Square which are benefitting from active travel funds but which require corresponding public realm improvements.

- Proposals for the former Central Retail Park are expected to be progressed.

- Work on proposals to develop a mobility hub in Ancoats are continuing, with ongoing discussions with Homes England regarding funding for the hub and adjacent public realm, with some funding for the latter already secured through the Brownfield Land Fund. The mobility hub would support a reduction in general traffic in the neighbourhood, and a travel modal shift towards cycling, public transport and electric vehicles.

- Further investment in the Council's digital asset base.

- 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.

13 Town Hall Refurbishment

13.1 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 £196.4m between 2022/23 and 2024/25 with planned spend currently £53.8m in 2021/22.

14 Housing – General Fund

14.1 The Housing General Fund capital programme includes works to support housing regeneration schemes, such as the Council's housing Private Finance Initiative (PFI) schemes, and the regeneration of Collyhurst. It also includes funding for disabled facilities and energy efficiency schemes. The programme is forecast to be £67.1m between 2022/23 and 2024/25 and the primary schemes within the programme are detailed below.

14.2 Funding remains set aside within the programme for commercial and residential acquisitions (£6.0m) which will support the existing Brunswick and Collyhurst schemes.

14.3 Funding is expected to be available (£8.1m) for major adaptations for people with a disability, 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 contributions from social landlords.

14.4 This City Housing Delivery Vehicle (£33.0m) aims to build a mixed development of market and accessible rent properties, initially through the Council before transferring to a Council-owned company during the build.

14.5 Further investment plans include support for the development of Extra Care accommodation within Manchester (£2.4m).

14.6 Funding remains available, through the government's Marginal Viability Fund, to support the delivery of new homes on the New Victoria (£2.2m) 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 This City, 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.

- Further investment in affordable housing to support Homelessness, through either direct delivery or working with registered providers and other partners. This would include reviewing the role the HRA can play in creating new affordable housing.

- Investment in temporary accommodation either through direct ownership or through lease arrangements.

15 Housing – Housing Revenue Account (HRA)

15.1 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 £85.9m between 2022/23 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.

15.2 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 (£41.2m). The funds will be used to maintain the Decent Homes Standard within The Council'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.

15.3 The Silk Street project (£11.0m) has commenced, building 69 high quality, low carbon social rent homes on a site in Newton Heath.

15.4 The programme includes funding for the ongoing regeneration works in Collyhurst (£28.7m), delivering 300 homes, including 130 social housing new builds.

Potential Future Investment

- The insourced capital programme for the properties formerly managed by Northwards Housing will continue to be reviewed to ensure there is the correct prioritisation and pace for works to deliver fire safety and decent homes.

- 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. 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.

16 Children's Services (Schools)

16.1 The Children's Services capital programme is predominantly focused on the building of new schools and extension of existing schools, to meet school place demand, and investment in the fabric of the existing school estate. The programme is forecast to be £38.1m between 2022/23 and 2024/25 and the main schemes within the programme are detailed below. There is also an additional £24.3m of Basic Need grant funding shown as contingency, available to support further school place demand particularly in special schools and secondary phase.

16.2 The programme to increase the Special Educational Needs capacity (£3.6m) across the city will continue, with works to be undertaken at Melland High School

16.3 Work will continue work on Co-op Academy in Belle Vue (£21.0m) delivering a new 1,200 place secondary school with associated grounds and infrastructure works.

16.4 A new primary school in the City Centre, funded from grant and developer contribution, will progress (£6.0m). The project is intended to support the increased occupancy of city centre dwellings by families by providing the required infrastructure for their long-term settlement in the area

16.5 A Government grant-funded schools maintenance programme (£2.8m), 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

- Future school place demand will continue to be monitored, alongside any further Free School Programme approvals, to ensure that the Council meets its statutory duty to provide sufficient places. This may be in the form of new school builds or expansions to existing schools.

- 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.

17 Information and Communication Technology (ICT)

17.1 The ICT capital programme provides investment to the Council's ICT estate. The programme is forecast to be £7.8m between 2022/23 and 2024/25 and the primary schemes within the programme are detailed below. The remaining ICT Investment Plan funding (£5.4m) is currently unallocated and held as contingency, 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.

17.2 The Network Refresh Programme (£6.4m) will continue to 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.

17.3 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 (£0.7m) will complete in updating the technology available to staff to allow them to undertake their roles more effectively.

17.4 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 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. Further investment is also expected be required to support the outcomes from the Future Shape of the Council work.

18 Adults, Children's and Corporate Services

18.1 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 £12.1m between 2022/23 and 2024/25 and the primary schemes within the programme are detailed below.

18.2 To provide integrated health and community services the investment in the new facility at the Gorton District Centre (£10.7m) is ongoing. This is on an invest to save basis with the income from the leases to partners providing the funding to repay the build costs.

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, as noted in a report to the Executive in January, are also being actively explored.

19 Contingent Budgets

19.1 The unallocated inflation contingency budget is currently c.£28.0m for the period 2022/23 onward. This will be allocated to projects if inflationary pressures cannot be contained within existing contingency budgets.

19.2 The approved loan support to Manchester Airport (£36.2m) will continue to be available.

20 Capital Financing

20.1 The Council has several funding streams available to fund capital expenditure. Alongside external grants and contributions, revenue funding, capital receipts and prudential borrowing can 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.

20.2 There are restrictions around the use of certain capital funds, some statutory and some at the Council's discretion.

20.3 The Housing Revenue Account (HRA) is a restricted fund and can only be used to fund capital expenditure on HRA assets.

20.4 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

20.5 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).

20.6 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.

20.7 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.

20.8 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.

20.9 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.

20.10 It is proposed that the forecast capital programme for 2022/23 is funded as follows:

Fund	Housing Programmes		Other Programmes	**Total**
	HRA	Non-HRA		
	£m	£m	£m	**£m**
Borrowing	0.0	10.7	335.3	**346.0**
Capital Receipts	2.0	3.9	16.8	**22.7**
Contributions	0.0	0.4	30.8	**31.2**
Grant	0.0	10.6	72.9	**83.5**
Revenue Contribution to Capital Outlay	37.4	1.8	10.5	**49.7**
Grand Total	**39.4**	**27.4**	**466.3**	**533.1**

20.11 Based on the current forecasts for expenditure, prudential borrowing of up to £538.9m 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 2022-2025 is:

- 2022/23 - £346.0m
- 2023/24 - £144.8m
- 2024/25 - £48.1m

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 £538.9m of prudential borrowing which includes:

Scheme	**£m**
Highways Investment Plan	25.4
Bridge maintenance	2.7
Woodlands Road Emergency works	0.5
Highways Maintenance Challenge Fund	0.3
Great Ancoats Improvement Scheme	0.4
Mancunian Way and Princess Parkway NPIF	0.5
School Crossings and Accident Reduction	3.1
Street Lighting PFI	0.7
Traffic Free Deansgate Permanent Works	1.2
Waste Contract	0.4
Blackley Cremator and Mercury Abatement	0.4
Off Street Car Parks post JV project	0.6
Chester Road Roundabout Advertising	1.4
Parks Investment Programme	9.2

Wythenshawe Cycling Hub	0.8
Indoor Leisure Provision at Abraham Moss	15.7
Manchester Aquatics Centre	25.2
National Cycling Centre	16.5
Manchester Regional Area Changing Rooms	0.1
Libraries investment	1.5
The Factory	37.1
Hammerstone Road	19.4
Carbon Reduction	19.0
Estates Transformation	0.8
Sustaining Key Initiatives	7.7
Victoria North	14.4
Eastern Gateway	0.4
House of Sport	4.4
Piccadilly Gardens - Phase 1	1.4
Campfield Redevelopment	3.7
HOME Arches	1.9
Heron House & Registrars	0.3
Civic Quarter Heat Network	1.4
Refurbishment of the Town Hall and Albert Square	196.3
West Gorton Regeneration	1.3
Ben Street Regeneration	1.0
This City Housing Delivery Vehicle	33.0
MCMA Completion Works	0.7
ICT Investment Plan	13.2
Gorton integrated health development	10.7
Airport Loan	36.2
Inflation Fund	28.0

20.12 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.

20.13 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.

20.14 The proposed funding for the programme across the forecast period is shown below:

	2021/22 budget	**2022/23 budget**	**2023/24 budget**	**2024/25 budget**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**
Grant	86.0	83.5	63.5	0.0	**233.0**
External Contribution	25.3	31.2	0.2	0.0	**56.7**
Capital Receipts	16.0	22.7	13.1	2.7	**54.5**
Revenue Contribution to Capital Outlay	32.4	49.7	33.5	15.1	**130.7**

Borrowing	169.3	346.0	144.8	48.1	**708.2**
Total	**329.0**	**533.1**	**255.1**	**65.9**	**1,183.1**

20.15 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.

20.16 The final capital forecast 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 2021/22 programme.

21 Investments and Liabilities

21.1 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

21.2 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 also differ as capital investments also consider the broader strategic and regeneration objectives and benefits.

21.3 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

21.4 The Council has the current historic investments on the balance sheet as at 31st March 2021:

	Value as at 31/3/21
	£m
Long-term Debtors	446.6
Long-term Investments	151.4
Investment Property	475.0
Total	**1,073.0**

21.5 Long-term debtors are loan finance provided by the Council, including the loans to Manchester Airport (£313.9m), Public Finance Initiative prepayments (£23.2m), and Manchester College (£27.1m), for which repayments have begun. These loans are regularly reviewed and would be impaired if there was a risk of default.

21.6 Long-term investments are equity investments held including Manchester Airport (£112.4m), a car park at Manchester Airport (£5.7m), Destination Manchester (£10.2m) which is the Council's investment in Manchester Central, Manchester Science Park (£6.2m) and Matrix Homes (£5.4m). Investments are valued on an annual basis.

21.7 Investment property is 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 as they provide a return they have to be shown as investment property. Investment properties are independently valued on an annual basis.

21.8 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.
- Victoria North – loans to support the Victoria North joint venture in acquiring land;
- Manchester Airport loan – loan funding for the Airport; and
- Biomedical Investment - loan to support the development of health innovation.

21.9 There may be other projects which become capital investments, such as to support the Eastern Gateway and Victoria North.

21.10 All investments are scrutinised via the capital approval process, including to Executive and Council as required, with independent financial, legal and other relevant advice sought.

21.11 Where investments provide a return through interest or dividends this can be used to support the revenue budget. For example, in 2021/22 c. £4.9m 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.

21.12 All investments are monitored regularly with the frequency based on risk, and any material changes are reported to the Deputy Chief Executive and City Treasurer at the earliest opportunity.

21.13 The monitoring has highlighted that there are two loans need to be written off as they will not be repaid, namely:

- EON Reality Ltd (£1.1m) - during the pandemic, EON Reality entered into administration and the liquidators have informed the Council that there are no assets available to repay the loan.

- Band on the Wall (£0.2m) - the loan was provided to the original owner of a dilapidated part of the Band on the Wall site to secure the structure of the building. This work has been successful, and the site has been acquired by the Band on the Wall and forms part of the redevelopment plan for the site, utilising Arts Council funding. Following review by officers and noting that the original owner made no profit on the sale of the site to Band on the Wall, it is proposed to write down the loan and consider it as the Council's contribution to the funding package for the redevelopment of the wider site.

Commercial Investments

21.14 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.

21.15 It is worth noting that investment property is considered, under CIPFA's Prudential Code, as a commercial investment, and so the Council does have assets of a commercial nature on the balance sheet.

21.16 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.

21.17 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.

21.18 The outcome of the consultation also requires local authorities to only invest within their economic area.

22 Treasury Management

22.1 There is a clear link between capital investment activities and treasury management activities, particularly regarding 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 outlined below.

Long Term Planning (including the repayment of borrowing)

22.2 The Treasury Management Strategy provides the framework for treasury management decisions which have to be made with the longer-term impact in mind.

22.3 Under the Prudential Code, the Council must make an annual revenue provision for the repayment of debt, called the minimum revenue provision (MRP). This 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 budget 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

22.4 When making borrowing decisions the forecast MRP in each future financial year is considered. The policy is to seek to match actual debt repayments to MRP in each year as this is the most prudent approach, and equalises accounting entries and cashflows.

22.5 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.

22.6 The long-term forecast for external debt is compared to the Capital Financing Requirement and shown at Appendix 4. This highlights the level of internal borrowing, where the council is using its own cashflow and cash backed reserves in lieu of external debt. At the 31st March 2021 internal borrowing was c. £750m, 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.

22.7 The forecast profile for the Capital Financing Requirement is shown in the table below:

	2021/22	2022/23	2023/24	2024/25	2025/26
	£'m				
Opening CFR	1,648.8	1,785.3	2,115.4	2,217.6	2,221.2
Borrowing	169.3	346.0	144.8	48.1	0.0
Additional long-term liabilities[1]	0.8	20.9	0.8	0.7	1.3

[1] The additional long term liabilities are likely to increase following the introduction of International

MRP	(33.6)	(36.8)	(43.4)	(45.2)	(47.7)
Closing CFR	**1,785.3**	**2,115.4**	**2,217.6**	**2,221.2**	**2,174.8**

22.8 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

22.9 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.

22.10 The role of the treasury management team is to balance the risks associated with the management of cash, acknowledging that they cannot all be 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.

22.11 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.

23 Skills and Knowledge

23.1 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**.**

23.2 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".

24 Prudential Indicators

24.1 The prudential indicators for the Council, including the treasury management indicators, are shown as part of the Treasury Management Strategy Statement

Financial Reporting Standard 16, due in April 2022. 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.

elsewhere on the agenda. These will be monitored throughout the year and will be reported to members as part of the regular capital monitoring.

24.2 CIPFA have published revised Prudential and Treasury Management Codes of Practice in December 2021, to be implemented for April 2023. Officers will review the codes and associated guidance and will provide an update on the indicators as part of the capital outturn report.

25 Conclusions

25.1 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.

25.2 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.

25.3 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.

26 Contributing to a Zero-Carbon City

26.1 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.

26.2 For some projects, the aim of the investment will be to reduce the City's carbon impact, for example the Civic Quarter Heat Network.

27 Contributing to the Our Manchester Strategy

(a) A thriving and sustainable city

27.1 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

27.2 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

27.3 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

27.4 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

27.5 Through investment in areas such as ICT and the City's infrastructure of road networks and other travel routes.

28 Key Policies and Considerations

(a) Equal Opportunities

28.1 The proposals have been drawn up in awareness of Council policy on equality.

(b) Risk Management

28.2 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

28.3 None in this report.

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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

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Appendix 2 – amendments to the capital budget introduced as part of this report

Requests for Adjustments to the Capital Budget Provision
February 2022 EXECUTIVE

Dept	Scheme	Funding	2021/22	2022/23	2023/24	Future	Total
			£'000	£'000	£'000	£'000	£'000
Council Approval Requests							
Public Sector Housing	Sprinkler Systems – Tower Blocks PFI's	RCCO - HRA Reserves	786	1,754	1,474		4,014
Private Sector Housing	Sprinkler Systems – Tower Blocks PFI's	Capital Receipts		147			147
Highways	Highways Investment Plan	Government Grant and Borrowing		17,629			17,629
Growth & Development	Asset Management Plan	Capital Receipts		9,400			9,400
Growth & Develppment	Strategic Acquisitions	Capital Fund		3,000			3,000
Contingency	Inflation	Borrowing		7,500	3,197		10,697
Total Council Approval Requests			**786**	**39,430**	**4,671**	**0**	**44,887**
Executive Approval Requests							
ICT	Platform Compliance 2	Borrowing	- 77	- 169			- 246
ICT	Corporate Recruitment Solution	Borrowing	- 20	- 180	- 40		- 240
Highways Services	HS2 Highways Support	Borrowing reduction, funding switch via Capital Fund	- 29	- 203	- 78		- 310
Total Executive Approval Requests			**-126**	**-552**	**-118**	**0**	**-796**
Total Budget Adjustment Approvals			**660**	**38,878**	**4,553**	**0**	**44,091**

Please note that the additional budgets for 2021/22 are not included in the Capital Monitoring report for quarter 3, as they are new approvals.

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Appendix 3 – the forecast Capital Programme

Project Name	2021/22 Forecast	2022/23 Forecast	2023/24 Forecast	2024/05 Forecast
	£'000			
Highway Programme				
Highways Planned Maintenance Programme				
Drainage	1,343	2,000	0	0
Large Patching repairs	507	517	0	0
Patching Defect repairs	4,644	6,794	0	0
Carriageway Resurfacing	4,632	7,277	0	0
Footway schemes	2,281	4,079	0	0
Carriageway Preventative	4,326	974	0	0
Bridge Maintenance	1,074	2,061	629	0
Other Improvement works	86	7,781	0	0
Woodlands Road Emergency works	2,674	500	0	0
Highways Maintenance Challenge Fund	1,849	310	0	0
Highways Major Projects				
Hyde Road (A57) Pinch Point Widening	327	30	0	0
Manchester/Salford Inner Relief Road (MSIRR)	123	0	0	0
Great Ancoats Improvement Scheme	459	350	0	0
Mancunian Way and Princess Parkway NPIF	314	462	0	0
Christie Extension RPZ	33	210	0	0
Hathersage RPZ	46	0	0	0
North Mcr General Hospital RPZ	20	15	0	0
St George's RPZ	138	0	0	0
Rusholme RPZ	138	89	0	0

Project Name	2021/22 Forecast	2022/23 Forecast	2023/24 Forecast	2024/05 Forecast
	£'000			
School Crossings	745	1,632	0	0
Chorlton Cycling Scheme	5,820	4,276	0	0
Northern Quarter Cycling Scheme	2,210	7,328	0	0
Manchester Cycleway	541	4,117	0	0
Beswick Filtered Neighbourhood Development Costs	640	23	0	0
Green Bridge at Airport City	1	26	0	0
A6 Stockport Road Pinch Point Scheme	242	0	0	0
Levenshulme Active Neighbourhood	481	3,606	0	0
Northern/Eastern GW Walking and Cycling scheme	971	1,149	0	0
Rochdale Canal	92	0	0	0
Accident Reduction and Local Community Safety schemes	571	1,429	0	0
Highways Stand Alone Projects Programme				
20mph Zones (Phase 3)	-1	0	0	0
Princess Rd Safety Review	35	0	0	0
Public Realm	408	681	0	0
Street Lighting PFI	24	750	0	0
A56 Liverpool Road	19	0	0	0
A56 Chester Road	13	0	0	0
Sunbank Lane S278	5	0	0	0
Woodhouse Park	19	0	0	0
Manchester Trash Screens	36	0	0	0
Oldham Rd Feasibility study	30	0	0	0
Enterprise Car Club Bays	22	0	0	0

Project Name	2021/22 Forecast	2022/23 Forecast	2023/24 Forecast	2024/05 Forecast
	£'000			
Electric Vehicle Charging Points Ph 1	21	0	0	0
TfGM Bus Enhancements	382	0	0	0
Bee Network Crossings	969	227	0	0
Active Travel Development Costs	463	4,838	0	0
Greater Manchester Improvement Prog (GMIP) Dev Cost - Tranche 1	200	0	0	0
Back George Street	23	0	0	0
Clean Air Zone Street Lighting	179	0	0	0
Princess Parkway/Palatine Rd Feasibility	35	0	0	0
Traffic Free Deansgate Permanent Works	306	1,194	0	0
Restoration of Ordinary Water Course	300	0	0	0
Local Roads (temp SEMMMS A6 Stockport)	42			
Total Highways Programme	**40,858**	**64,725**	**629**	**0**
Environment and Operations Programme				
Waste Reduction Measures	325	0	0	0
Waste Contract	450	350	0	0
Purchase of Electric RCVs	9,185	0	0	0
Cremator & Mercury Abatement Plant Replacement Strategy	1,273	396	0	0
Off Street Car Parks post JV project	64	557	0	0
Chester Road Roundabout Advertising	200	1,450	0	0
Electric Charging Points - Grimshaw Lane	70	0	0	0
City Centre Litter Bins	68	0	0	0

Project Name	2021/22 Forecast	2022/23 Forecast	2023/24 Forecast	2024/05 Forecast
	£'000			
Leisure Services Programme				
Parks Programme				
Parks Development Programme	1,082	3,574	4,685	903
Wythenshawe Cycling Hub	711	839	0	0
Angel Meadow S.106	16	0	0	0
Gately Brook Pre-Development Fees	80	0	0	0
Whitworth Park s.106	132	0	0	0
Other Leisure				
Wythenshawe Track Changing Rooms	485	0	0	0
Indoor Leisure - Abraham Moss	6,540	15,279	452	0
Boggart Hole Clough - Visitors Centre	0	0	535	0
Mount Road S106	0	32	0	0
Mellands Playing Fields - Levenshulme	81	54	0	0
Gorton & Abbey hey Project	156	32	0	0
Hough End Master Plan - Strat Football Hub Development Costs	289	0	0	0
MAC - Car Park Improvements	31	0	0	0
Non-Turf Wickets - Parks & Playing Fields	40	51	0	0
Manchester Aquatics Centre	5,208	16,934	8,313	0
National Cycling Centre	5,954	18,605	42	0
Rugby Football League Project - Beswick Hub	423	2,577	0	0
National Squash Centre	135	0	0	0
Wind Tunnel at MIHP	923	0	0	0
P2R Platt Fields	0	72	0	0

Project Name	2021/22 Forecast	2022/23 Forecast	2023/24 Forecast	2024/05 Forecast
	£'000			
Withington Baths	1,000	0	0	0
Manchester Regional Area Changing Rooms	0	83	0	0
Libraries and Culture Programme				
Central Library Wolfson Award	2	0	0	0
Central Library Refresh	478	479	0	0
Open Libraries	14	185	0	0
Chorlton Library Refurbishment	60	540	0	0
Library Refurbishment (City Wide)	215	235	50	0
Chorlton Library Refurbishment	40	404	1,426	0
Total Neighbourhoods Programme	**35,730**	**62,728**	**15,503**	**903**
Cultural Programme				
The Factory (Build)	42,372	43,719	0	0
St Johns (Public Realm)	278	2,680	0	0
Total Cultural Programme Programme	**42,650**	**46,399**	**0**	**0**
Corporate Estates Programme				
Asset Management Programme	7,778	13,666	0	0
MAC feasibility works	107	0	0	0
Early Years tendered daycare sites	300	2,700	0	0
Hammerstone Road Depot	3,799	10,692	8,704	0

Project Name	2021/22 Forecast	2022/23 Forecast	2023/24 Forecast	2024/05 Forecast
	£'000			
Carbon Reduction Programme	2,662	7,201	6,801	5,000
Public Sector Decarbonisation Scheme	17,602	0	0	0
Greening of the City	400	448	0	0
Estates Transformation	0	800	0	0
Estates Transformation - Alexandra House	100	0	0	0
Estates Changes Arising from FWOW	226	0	0	0
Development Programme				
Digital Assets Board (MCDA)				
Space - Phase 3	665	0	0	0
Digital Asset Base - One Central Park	564	0	0	0
Site Acquisition - The Yard, Vaughan Street	679	0	0	0
Strategic Acquisitions Board				
Strategic Acquisitions Programme	1,807	3,000	0	0
Sustaining Key Initiatives	0	7,683	0	0
Mayfield Park	150	0	0	0
Didsbury Tech Park - MCC Option	861	0	0	0
Victoria North				
Housing Infrastructure Fund	4,000	15,000	31,832	0
Acquisition of land at Red Bank	191	0	0	0
Victoria North	7,500	7,275	7,120	0
Eastern Gateway				
Eastern Gateway - Central Retail Park	200	384	0	0
Eastern Gateway - New Islington Marina	52	0	0	0

Project Name	2021/22 Forecast	2022/23 Forecast	2023/24 Forecast	2024/05 Forecast
	£'000			
New Islington Marina Bridge Works	180	0	0	0
House of Sport	3,260	4,431	0	0
Demolition of Grey Mare Police Station	25	0	0	0
Mcr Equipment and Adaptations Partnership relocation	900	1,125	0	0
City Centre				
St. Peters Square - Peterloo memorial	192	0	0	0
Medieval Quarter Public Realm	2,235	7	0	0
Lincoln Square	1,240	0	0	0
Piccadilly Gardens - Phase 1	300	1,376	0	0
Manchester Digital Security Innovation hub (Cyberhub)	2	1,998	0	0
Campfield Redevelopment	21	14,338	6,889	0
HOME Arches	606	1,918	0	0
Angel Meadow Land Acquisition	150	0	0	0
Other Strategic Development Initiatives				
First Street Cultural Facility	14	0	0	0
New Smithfield Market	417	0	0	0
Heron House & Registrars	387	313	0	0
Civic Quarter Heat Network	4,679	1,377	0	0
Lees Street Payment	75	0	0	0
Total Growth & Development Programme	**64,326**	**95,732**	**61,346**	**5,000**
Town Hall Refurbishment Programme				

Project Name	2021/22 Forecast	2022/23 Forecast	2023/24 Forecast	2024/05 Forecast
	£'000			
Our Town Hall refurbishment	53,830	86,064	68,071	42,175
Total Town Hall Refurbishment Programme	**53,830**	**86,064**	**68,071**	**42,175**
Private Sector Housing Programme				
Brunswick PFI (PSH)				
Brunswick PFI Land Assembly	547	752	0	0
Collyhurst (PSH)				
Collyhurst Regeneration	181	0	1,000	2,697
Collyhurst Land Assembly Ph1	0	29	0	0
Collyhurst Land Acquisitions Ph2	0	210	799	0
Eccleshall Street - 3 Sites	0	500	0	0
Private/RTB - Acq/Comp/Relocation	0	1,070	719	0
Miles Platting PFI (PSH)				
Miles Platting PFI Land Assembly	1	142	266	0
Private Housing Asist Citywide Programme				
Disabled Facilities Grant	7,500	8,079	0	0
Bell Crescent CPO	0	0	482	0
Private Sect Housing Standalone Projects				
HCA Empty Homes Cluster Phase 2	265	683	0	0
Ancoats Dispensary: Survey Work to Confirm Major Project Viability	57	0	0	0
Redrow Development Programme				
Redrow Development Phase 2 onward	8	10	0	0

Project Name	2021/22 Forecast	2022/23 Forecast	2023/24 Forecast	2024/05 Forecast
	£'000			
West Gorton (PSH)				
West Gorton Ph 2A Demolition & Commercial Acquisitions	0	348	904	0
Private Sector Housing - Stand Alone Projects				
HMRF	4	31	89	0
Extra Care	0	1,245	1,200	0
Moston Lane Acquisitions	0	0	7,500	0
Equity Loans	0	0	397	0
West Gorton Community Park	25	25	25	25
Ben St. Regeneration	15	400	626	0
Marginal Viability Fund - New Victoria	2,315	2,163	0	0
Next Steps Accommodation Programme Property Acquisitions	900	0	0	0
Green Homes Grant Delivery scheme	4	0	0	0
This City Housing Delivery Vehicle	747	10,000	23,000	0
Social Housing Decarbonisation Fund	3,045	75	0	0
Sprinkler Systems - Tower Block PFIs	0	147	0	0
Rough Sleepers Accommodation Programme	1,500	1,500	0	0
Total Private Sector Housing Programme	**17,114**	**27,409**	**37,007**	**2,722**
Public Sector Housing				
Northwards - External Work				
Charlestown - Victoria Ave multistorey window replacement and ECW - Phase 1	5,112	3,874	430	0
Riverdale Estate Ext Work	-39	0	0	0

Project Name	2021/22 Forecast	2022/23 Forecast	2023/24 Forecast	2024/05 Forecast
	£'000			
External cyclical works ph 3b Ancoats Smithfields estate	0	90	0	0
Environmental improvements Moston corrolites	0	22	0	0
ENW distribution network phase 4 (various)	332	81	0	0
Various Estate based environmental works	70	50	74	0
Moston Corrolites external work	928	73	106	0
Charlestown Clifford Lamb Court Reroofing	0	334	144	0
Higher Blackley Central House Door Entry System	31	5	0	0
Riverdale Maisonettes	0	1,161	1,366	0
Newton Heath High Rise Blocks Improvements	0	2,637	7,679	2,173
Retaining Walls	334	189	118	0
Delivery Costs	937	1,104	1,289	282
Northwards - Internal Work				
Harpurhey - Monsall Multis Internal Works	14	90	0	0
Newton Heath - Multies Internal Works	307	82	0	0
Various - Bradford/Clifford Lamb/Kingsbridge/Sandyhill Court Internal Works	68	8	33	0
Charlestown - Rushcroft/Pevensey Court Internal Works	7	50	27	0
Collyhurst - Mossbrook/Roach/Vauxhall/Humphries Court Internal Works	30	0	24	0
Decent Homes mop ups phase 10 and voids	0	0	70	0
One off work - rewires, boilers, doors	0	7	0	0
ERDF Heat Pumps	400	1,480	139	0
Charlestown - Rushcroft/Pevensey Courts Lift Refurb	0	350	187	0
Fire Risk Assessments	3,256	1,082	665	0
Northwards - Harpurhey 200 Estate Internal Works	1	0	0	0

Project Name	2021/22 Forecast	2022/23 Forecast	2023/24 Forecast	2024/05 Forecast
	£'000			
Rushcroft and Pevensey Courts Ground Source Heat Pumps	1,860	30	0	0
Harpurhey Baths Estate (excl Edward Grant Court) and Cheetham Appleford Estate	384	0	0	0
Newton Heath Troydale and Croyden Drive Low Rise Estates	1,501	221	150	0
Responsive Investment Works	557	142	251	0
Retirement blocks various M&E/H&S works	1,282	72	0	0
One off type work such as rewires boilers doors	186	0	0	0
Harpurhey Monsall Estate (Excluding High Rise and 40 properties around Cannons Grove)	100	1,624	762	0
Harpurhey Shiredale Estate (Including Replacement Floors)	210	690	161	0
Cheetham Halliwell Lane Estate Internal Works	0	1,304	735	0
Higher Blackley South Estate Internal Works	175	1,424	469	0
New Lightbowne Estate Halliford & Thorverton	75	921	437	0
Ancoats Smithfield Estate Internal Works	300	72	39	0
One Off type work - rewires/boilers/doors	112	414	0	0
Delivery Costs	1,563	1,296	548	0
Northwards - Off Debits/Conversions				
Various Locations - bringing bedsits back into use	0	0	116	0
Delivery Costs	0	0	15	0
Homeless Accommodation				
Improvements to Homeless accommodation city wide	0	14	0	0
Plymouth Grove Women's Direct Access Centre	0	28	0	0
Improvements to Homeless Accommodation Phase 2	213	0	106	0
Woodward Court reroofing	245	12	0	0
Woodward Court lift replacement	0	0	434	0

Project Name	2021/22 Forecast	2022/23 Forecast	2023/24 Forecast	2024/05 Forecast
	£'000			
Delivery Costs	61	2	70	0
Northwards - Adaptations				
Adaptations	156	83	0	0
Various Locations - Adaptations	156	34	0	
Various Adaptations	723	119	0	0
Delivery Costs	115	31	0	
Northwards - Unallocated				
Northwards Housing Programme - Unallocated	0	754	64	0
Retained Housing Programme				
Collyhurst Maisonette Compensation & Dem	25	600	200	199
West Gorton Regeneration Programme				
West Gorton PH2A Low & High Rise Demolition	1	0	0	0
Future Years Housing Programme				
Capital Receipts - Right to Buy	37	0	0	0
Buy Back Properties - Right to Buy	483	229	500	0
North Manchester New Builds	40	0	0	0
North Manchester New Builds 3	1,176	9,500	1,519	0
Collyhurst New Council Housing - Design Stage	421	0	0	0
Construction of Social Homes & Assoc PR	0	4,730	11,156	10,88[illegible]
Relocation/Acq/Comp/Dem Costs - Public	0	500	0	[illegible]
Construction of Park - public realm	0	0	375	1,02[illegible]
Sprinkler Systems - Tower PFIs (HRA)	786	1,754	1,474	[illegible]

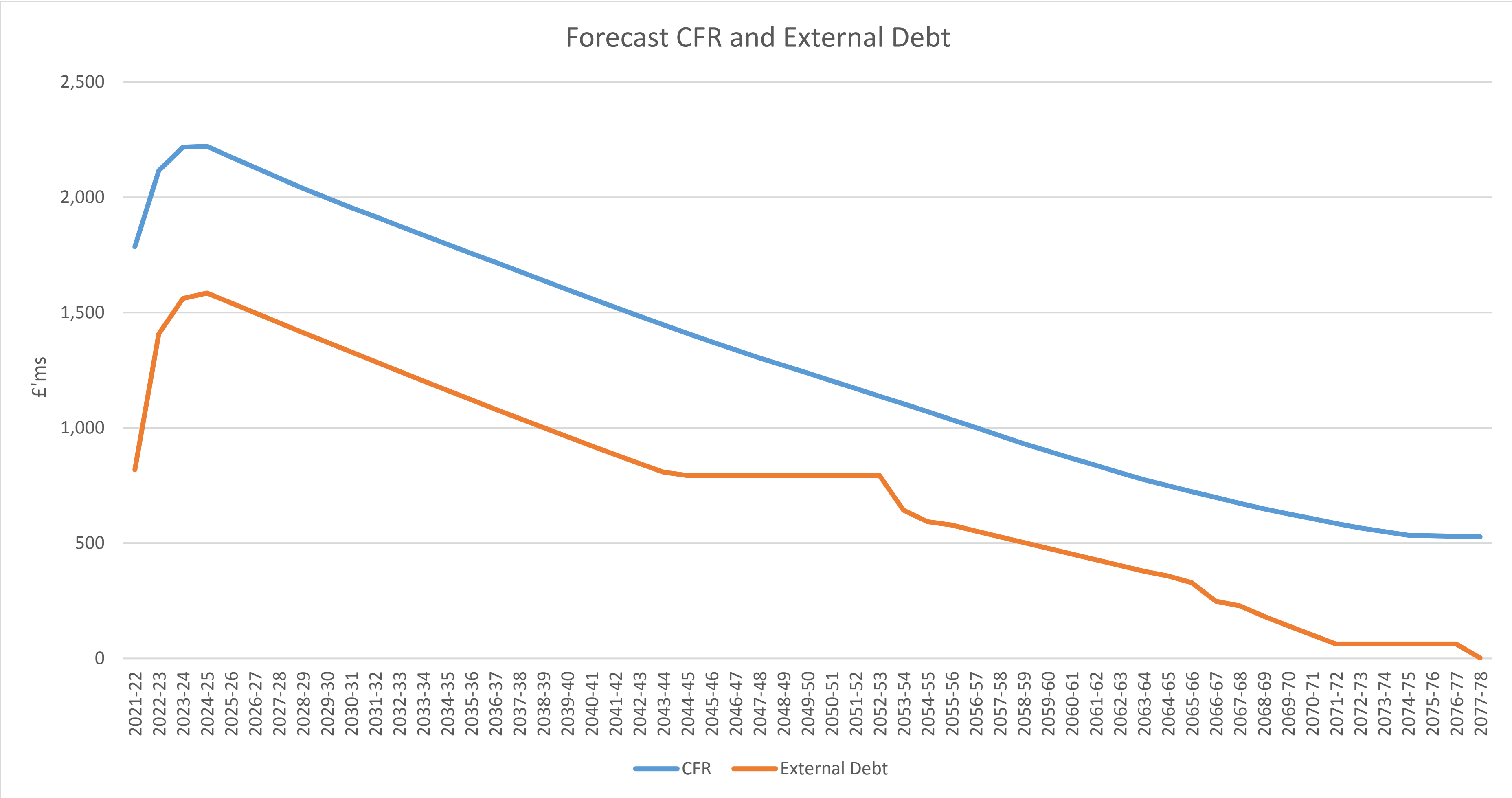
Project Name	2021/22 Forecast	2022/23 Forecast	2023/24 Forecast	2024/05 Forecast
	£'000			
Total Public Sector Housing (HRA) Programme	**24,731**	**39,369**	**31,932**	**14,559**
Children's Services Programme				
Basic Need Programme				
Brookside Rd Moston	3,812	42	0	0
North Hulme Adv Playground	2,648	152	0	0
Roundwood Road	2,607	13	0	0
Coop North Expansion	488	0	0	0
Our Lady's Expansion	31	0	0	0
Manchester Communications Academy	51	0	0	0
Co-op Academy Belle Vue - Permanent	9,247	20,314	722	0
Co-op Academy Belle Vue - Early Opening	2,140	0	0	0
Our Lady's RC Permanent Expansion	1,900	500	0	0
Melland High School Expansion (SEN Grant)	293	3,607	0	0
Crab Lane - retentions	10	0	0	0
The Barlow RC High School - Resource Provision	400	649	0	0
City Centre School	250	5,700	250	0
Universal Infant Free School Meals (UIFSM) - Allocated	2	0	0	0
Universal Infant Free School Meals (UIFSM) - Unallocated	75	0	0	0
Schools Maintenance Programme				
Broad Oak Primary School Kitchen	858	149	0	0
Lily Lane Prim Windows	0	96	0	0
Medlock Primary - Boundary Wall rebuild	80	0	0	0

Project Name	2021/22 Forecast	2022/23 Forecast	2023/24 Forecast	2024/05 Forecast
	£'000			
St Wilfreds CE Ph 1 roof repairs	454	0	0	0
Broad Oak Reception class and roof repair	83	0	0	0
Manley Park Roof	250	0	0	0
Manley Park Joinery	323	0	0	0
Rack House PS Roof	242	0	0	0
The Birches Special School Roof	0	384	0	0
Broad Oak Primary	414	0	0	0
Baguley Hall Electrical Rewire	792	0	0	0
Higher Openshaw Roof repair	113	0	0	0
Alma Park	75	0	0	0
Claremont Roofing works	106	0	0	0
Moston Lane PS Rainwater Goods	74	0	0	0
Moston Lane PS Ceiling Containment	197	0	0	0
New Moston Primary School	877	0	0	0
St. Agnes CEP Structural Repairs	149	51	0	0
Chapel Street	19	181	0	0
Schools Capital Maintenance -unallocated	0	1,975	0	0
Education Standalone Projects				
Early Education for Two Year Olds - Unallocated	22	0	0	0
Healthy Pupil Capital Funding	0	257	0	0
North Ridge SEN	125	0	0	0
Grange School	195	0	0	0
Piper Hill Expansion SEN Grant	87	0	0	0

Project Name	2021/22 Forecast	2022/23 Forecast	2023/24 Forecast	2024/05 Forecast
		£'000		
Piper Hill Expansion SEN Grant	20	0	0	0
Special Educational Needs grant	0	2,324	0	0
Ghyll Head	540	0	0	0
Acquisition of land at Hyde Road	27	0	0	0
Nurseries Capital Fund - Unity Community	139	0	0	0
Lyndene Children's Home Refurbishment	825	0	0	0
Varley Street Site Investigations	65	0	0	0
MCMA Completion works	0	661	0	0
Total Children's Services Programme	**31,105**	**37,055**	**972**	**0**
ICT Capital Programme				
Network Refresh Programme	2,652	5,394	1,000	0
Data Centre Network Design and Implementation	36	0	0	0
End User Experience	3,350	727	0	0
Microsoft 365	80	0	0	0
Telephony	181	0	0	0
TEC Digital Platform	94	0	0	0
TEC Digital Platform	40	72	0	0
Security Software Upgrade	0	650	0	0
Total ICT Programme	**6,433**	**6,843**	**1,000**	**0**

Project Name	2021/22 Forecast	2022/23 Forecast	2023/24 Forecast	2024/05 Forecast
	£'000			
Corporate Capital Programme				
Pay and Display Machines	5	0	0	0
Phase 1 Implementation - Locality Plan Programme Office	150	190	0	0
Adults - Stepping Stone capital works	56	65	66	0
Integrated Working - Gorton Health Hub	9,300	10,724	0	0
BioMedical Investment	2,750	0	0	0
VCSE Small premises works	0	0	500	500
Total Corporate Capital Programme	**12,261**	**10,979**	**566**	**500**
Contingent Budgets				
Basic need - unallocated funds	0	603	23,699	0
ICT Investment Plan	0	0	5,355	0
Airport Loan	0	36,248	0	0
Inflation	0	19,000	9,000	0
Total Corporate Capital Programme	**0**	**55,851**	**38,054**	**0**
Total Capital Programme	**329,038**	**533,154**	**255,080**	**65,859**

Appendix 4 – Capital Financing Requirement and Forecast External Debt



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Manchester City Council
Report for Resolution

Report to: Executive – 16 February 2022
Resources and Governance Scrutiny Committee – 28 February 2022
Council – 4 March 2022

Subject: Treasury Management Strategy Statement 2022/23, 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 2022/23 and Prudential Indicators for 2022/23 to 2024/25.

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 Member of Executive with responsibility for Finance and HR, to:
- approve changes to the borrowing figures as a result of changes to the Council's Capital or Revenue budget; and
- submit these changes to Council.

The Resource and Governance Scrutiny Committee is requested to:-

(1) Recommend the report to Council.

The Council is requested to:-

(1) Approve the proposed Treasury Management Strategy Statement, 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 Member of Executive with responsibility for Finance and HR, 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 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 not capital expenditure.

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Background documents (available for public inspection):

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report.

- Capital Strategy and Budget 2022/23 - 2025/26 report to Executive 16 February 2022
- CIPFA Prudential Code 2021
- CIPFA Treasury Management Code of Practice 2021

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 significant economic changes, such as the 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 2022/23

1.6 The suggested strategy for 2022/23 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 2022/23 to 2024/25
Section 5: Impact of 2012 HRA reform
Section 6: Current Portfolio Position
Section 7: Prospects for Interest Rates
Section 8: Borrowing Requirement
Section 9: Borrowing Strategy

2 CIPFA Definition of Treasury Management

2.1 Treasury management is defined by CIPFA as:
'The management of the organisation's borrowing, investments and cash flows, including 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 2021.

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 2021 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 way 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. 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 2022/23 to 2024/25

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 2022/23 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 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. The short term borrowing taken during the pandemic has been refinanced with long term debt from the PWLB, with further PWLB taken to fund the capital programme.

6.2 The Council's forecast treasury portfolio position at 31st March 2022 is:

Table 1	**Principal**			**Av Rate**
	GF	HRA	**Total**	
	£'m	£'m	**£'m**	%
Long Term Borrowing				
PWLB	400.0	0.0	**400.0**	2.00
Market	334.3	61.4	**395.7**	4.47
Stock	0.9	0.0	**0.9**	4.00
SALIX	10.9	0.0	**10.9**	0.00
HCA	8.4	0.0	**8.4**	0.00
	754.5	61.4	**815.9**	
Short Term Borrowing				
Other	10.6	0.0	**10.6**	0.34
Gross Debt	765.1	61.4	**826.5**	3.11
External Investments	(41.1)	0.0	**(41.1)**	0.10
Internal Balances (GF/HRA)	48.0	(48.0)	**0**	0.00
Net Debt	**772.0**	**13.4**	**785.4**	
Capital Financing Requirement			1,784.4	
Gross Debt			826.5	
Other Long-Term Liabilities			155.2	
Internal Borrowing			**802.7**	

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

6.4 The Capital Financing Requirement of the City Council as at 31st March 2022 is forecast to be c. £1,.8bn. The difference between this and the actual gross debt of the Council is c. £0.8bn which is the amount of funding that the Council has internally borrowed or has been funded through credit arrangements. This reflects 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 This strategy reflects 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 holding of reserves and 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 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 2022 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 several 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):

- 2022: 0.25%
- 2023: 0.75%
- 2024: 1.00%

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	**2022/23**	**2023/24**	**2024/25**
	£'m	**£'m**	**£'m**
	estimate	**estimate**	**estimate**
Planned Capital Expenditure funded by Borrowing	346.0	144.8	48.1
Change in Grants & Contributions	41.0	38.1	0.0
Change in Capital Receipts	1.1	(43.3)	(12.9)
Change in Reserves	68.8	53.8	28.7
MRP Provision	(32.9)	(39.3)	(40.8)
Refinancing of maturing debt (GF)	8.3	3.7	10.8
Refinancing of maturing debt (HRA)	0.8	0.0	0.0
Movement in Working Capital	165.2	0.0	0.0
Estimated Borrowing Requirement	**598.3**	**157.8**	**33.9**
Funded by:			
GF	596.4	157.8	33.9
HRA	0.8	0.0	0.0

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 will mean 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 over the long term.

HRA

9.6 The Council's proposed capital budget for 2022/23 and beyond does not contain any requirement for the HRA to borrow additional sums. It is expected that proposals may be brought forward that require funding via borrowing, which would create a borrowing requirement for 2022/23 or future years. The level of borrowing affordable is restrained by the statutory requirement for the HRA Business Plan to avoid going into a deficit, and as such any long term borrowing that is taken to invest in capital assets would have to generate sufficient income to cover the costs of financing the debt, and be supported by a sufficiently robust business case.

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, as per the pooled funding approach which is discussed further in Appendix I.

9.8 Note, if 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 long-term borrowing rates is that they are expected to rise gradually during 2022/23 and will continue to increase in future years from their historically low levels. 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

The Treasury Management team 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.

In the last 12 months, the UK Infrastructure Bank has launched which is independent of HM Treasury, and which aims to lend to local authorities for strategic and high value projects alongside the private sector. One of the access routes to the bank is through the PWLB, and the Council would evaluate this option if it is available.

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

Table 3	**Mar 22**	**Jun 22**	**Sep 22**	**Dec 22**	**Mar 23**	**Mar 24**	**Mar 25**
	%						
Bank Rate	0.25	0.50	0.50	0.50	0.75	1.00	1.25
5 yr PWLB rate	1.50	1.50	1.60	1.60	1.70	1.90	2.00
10 yr PWLB rate	1.70	1.80	1.80	1.90	1.90	2.10	2.30
25 yr PWLB rate	1.90	2.00	2.10	2.10	2.20	2.30	2.50
50 yr PWLB rate	1.70	1.80	1.90	1.90	2.00	2.10	2.30

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. The Agency has successfully issued a small number of bonds for local authorities, and 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 albeit rising 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 2022/23 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 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 consider 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 can also play an important role in providing certainty of rates as part of the overall portfolio of debt. 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 2022/23 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, and the risk of sudden changes in the short term debt markets, 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 relate 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 2021 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes (the CIPFA TM Code). The Council's investment priorities are:

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

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

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

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

Investment Policy

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

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

[1] A credit default swap is a financial instrument that effectively provides the holder insurance against a loan

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

10.9 The exception is the limit with Barclays bank; Barclays is the Council's main banker and is the investment destination of last resort for the close of daily trading. These revised limits are operational changes and to preserve flexibility should circumstances change the overall investment limits approved for banks and building societies for 2021/22 will be maintained in 2022/23.

10.10 In line with the policy adopted in this strategy in previous years, options to diversify the investment portfolio have been reviewed and adopted. The Council now actively uses money market funds alongside deposits with banks, other local authorities and the Debt Management Agency.

10.11 For 2022/23 the Council will continue to consider investing in Treasury Bills, Certificates of Deposit and Covered Bonds. In addition to diversification each of these options offer the Council benefits which are noted in more detail below. These instruments require the Council to have specific custodian and broker facilities which have been opened. Officers are working to monitor these markets to prompt participation in the instruments when rates are favourable, and to identify and resolve any governance challenges arising from investing in instruments which have an active secondary market. Work is continuing to open further access points to markets and to identify opportunities for benefit which are new to the Council.

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

Specified and Non-Specified Investments

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

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

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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.

Table 4	Minimum 'High' Credit Criteria	Use
Term deposits – banks and building societies[2]	See Creditworthiness Policy.	In-house
Term deposits – other Local Authorities	High security. Only 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

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

- Credit Watches and Credit Outlooks from credit rating agencies
- Credit Default Swap spreads to provide early warning of likely changes in credit ratings
- Sovereign Ratings to select counterparties from only the most creditworthy countries

10.16 The above are combined in a weighted scoring system which is then combined with an overlay of CDS spreads. The product is a series of colour coded bands which indicate the relative creditworthiness of counterparties.

[2] Banks & Building Societies

The Council will keep the investment balance below or at the maximum limit based on the institutions credit rating as detailed in paragraph 10.21-10.22. If this limit is breached, for example due to significant late receipts, the Deputy Chief Executive and City Treasurer will be notified as soon as possible after the breach, along with the reasons for it. Please note this relates to specific investments and not balances held within the Council's bank accounts, including the general bank account.

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

10.18 In summary the Council will approach assessment of creditworthiness by using the Link counterparty list and then applying its own counterparty limits and durations. All credit ratings will be monitored daily and re-assessed weekly. The Council is alerted to changes to ratings of all three agencies through its use of the Link creditworthiness service.

- if a downgrade results in the counterparty/investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
- in addition to the use of Credit Ratings, the Council will be advised of information in Credit Default Swap against the iTraxx benchmark[3] and other market data on a weekly basis. Extreme market movements may result in the downgrade of an institution or removal from the Council's lending list.

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

Investment Limits

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

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

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

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

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

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

10.22 In seeking to diversify the Council will utilise other investment types which are described in more detail below and ensure that the investment portfolio is mixed to help mitigate credit risk. The following limits will apply to each asset type:

Total Deposit	**Amount**
Local Authorities	£250 million
UK Government	£200 million
- Debt Management Office	
- Treasury Bills	
Money Market Funds	£75 million
Certificates of Deposit	£25 million
Covered Bonds	£25 million

10.23 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.

10.24 This has been the approach taken over the last 12 months as a number of investment instruments available to the Council have offered negative interest rates, which would diminish the principal invested. In those circumstances officers have reviewed alternative investment instruments, and have requested temporary increases to investment limits, balancing the risks of doing so with the desire to avoid losing capital value.

Durational Limits

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

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

10.27 Should negative interest rates become prevalent, the average length of investments held may need to be reviewed and increased to protect the capital value of the sums invested. However, as noted above, reviewing investment limits would also be considered.

Environmental, Social and Governance Investment Policy

10.28 The investment classes detailed in this Strategy are almost exclusively short term in nature, and therefore establishing investment criteria for environmental, social and governance (ESG) factors is challenging.

10.29 There are several approaches to ESG investing, but they all focus on investments which will have a positive return and a long term impact in people, the environment, and how business is conducted. This is particularly important when the investment takes the form of equity, and therefore the investor can use their influence in corporate matters.

10.30 None of the investment classes contained within this Strategy provide that level of influence. Instead, the treasury management team will continue to screen potential investments to make sure that institutions demonstrate a significant level of commitment to ESG matters, are aligned to the Council's corporate objectives and approaches, and will not invest if there are concerns.

Money Market Funds

10.31 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.

10.32 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. Most money market funds invest both inside and outside the UK. MMFs also provide flexibility as investments and withdrawals can be made daily.

10.33 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.

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

Treasury Bills

10.35 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.

Certificates of Deposit

10.36 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

10.37 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 enough 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

10.38 Based on cash flow forecasts, the level of cash balances in 2022/23 is estimated to range between £0m and £300m. 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

10.39 Link's view of the forecast Bank Rate is noted at Section 9. Link's view is that the Bank Rate will increase during 2022, given the high inflation outlook.

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

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

10.42 For 2022/23 it is suggested the Council should target an investment return of 0% to 0.20% on investments placed during the financial year, reflecting the ongoing significant market uncertainty. 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.

10.43 The Bank of England and the Financial Conduct Authority (FCA) are committed to phasing out LIBOR. 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.

10.44 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

10.45 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

10.46 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 always remains with the organisation and will ensure that undue reliance is not placed upon its external service providers.

10.47 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 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 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	2022-23		2023-24		2024-25
	%		%		%
Estimated Financing Costs to Net Revenue Stream[1]	5.8%		6.2%		6.1%
	£m		£m		£m
Authorised Limit - external debt					
Borrowing	1,816.1	(1,737.3)	1,816.1	(1,737.3)	1,816.1
Other long-term liabilities	190.0	(190.0)	190.0	(190.0)	190.0
TOTAL	2,006.1	(1,927.3)	2,006.1	(1,927.3)	2,006.1
Operational Boundary - external debt					
Borrowing	1,580.2	(1,591.5)	1,698.5	(1,626.3)	1,724.0
Other long-term liabilities	190.0	(190)	190.0	(190.0)	190.0
TOTAL	1,770.2	(1,781.5)	1,888.5	(1,816.3)	1,914.0
Estimated external debt	1,414.3	(1,454.3)	1,572.0	(1,501.8)	1,606.0
Upper limit for total principal sums invested for over 364 days	0	(0)	0	(0)	0
Estimated Capital Expenditure					
Non - HRA	498.2	(286.3)	223.2	(131.9)	51.3
HRA	39.4	(45.5)	31.9	(3.2)	14.6
TOTAL	533.1	(331.8)	255.1	(135.1)	65.9
Estimated Capital Financing Requirement (as at 31 March)					
Non – HRA	1,794.5	(1,792.1)	1,895.8	(1,849.6)	1,898.6
HRA	321.0	(301.0)	321.8	(301.8)	322.6
TOTAL	2,115.5	(2,093.1)	2,220.6	(2,151.4)	2,221.2

[1] 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	70%	(80%)	0%	(0%)
12 months and within 24 months	70%	(80%)	0%	(0%)
24 months and within 5 years	60%	(70%)	0%	(0%)
5 years and within 10 years	60%	(70%)	0%	(0%)
10 years and above	90%	(90%)	30%	(20%)
Has the Authority adopted the CIPFA Treasury Management Code?				Yes

The status of the indicators will be included in Treasury Management reporting during 2022/23. They will also be included in the Council's Capital Budget monitoring reports during 2022/23.

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 2022, more of the Council's lessee leases will be classed as finance leases and will become other long-term liabilities, therefore the value will increase 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 considered.

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 enough 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 are 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 it 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 2022/23 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 considered 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 2022 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.

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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 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.

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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

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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 January 2022 – Link Asset Services

This section has been prepared by the Council's Treasury Advisors, Link Asset Services, for the Treasury Management Strategy Statement 2022/23.

COVID-19 vaccines.
These were the game changer during 2021 which raised high hopes that life in the UK would be able to largely return to normal in the second half of the year. However, the bursting onto the scene of the Omicron mutation at the end of November, rendered the initial two doses of all vaccines largely ineffective in preventing infection. This has dashed such hopes and raises the spectre again that a fourth wave of the virus could overwhelm hospitals in early 2022. What we now know is that this mutation is very fast spreading with the potential for total case numbers to double every two to three days, although it possibly may not cause so much severe illness as previous mutations. Rather than go for full lockdowns which heavily damage the economy, the government strategy this time is focusing on getting as many people as possible to have a third (booster) vaccination after three months from the previous last injection, as a booster has been shown to restore a high percentage of immunity to Omicron to those who have had two vaccinations. There is now a race on between how quickly boosters can be given to limit the spread of Omicron, and how quickly will hospitals fill up and potentially be unable to cope. In the meantime, workers have been requested to work from home and restrictions have been placed on large indoor gatherings and hospitality venues. With the household saving rate having been exceptionally high since the first lockdown in March 2020, there is plenty of pent-up demand and purchasing power stored up for services in sectors like restaurants, travel, tourism and hotels which had been hit hard during 2021, but could now be hit hard again by either, or both, of government restrictions and/or consumer reluctance to leave home. Growth will also be lower due to people being ill and not working, similar to the pingdemic in July. The economy, therefore, faces significant headwinds although some sectors have learned how to cope well with Covid. However, the biggest impact on growth would come from another lockdown if that happened. The big question still remains as to whether any further mutations of this virus could develop which render all current vaccines ineffective, as opposed to how quickly vaccines can be modified to deal with them and enhanced testing programmes be implemented to contain their spread until tweaked vaccines become widely available.

A SUMMARY OVERVIEW OF THE FUTURE PATH OF BANK RATE

- In December, the Bank of England became the first major western central bank to put interest rates up in this upswing in the current business cycle in western economies as recovery progresses from the Covid recession of 2020.
- The next increase in Bank Rate could be in February or May, dependent on how severe an impact there is from Omicron.
- If there are lockdowns in January, this could pose a barrier for the MPC to putting Bank Rate up again as early as 3rd February.
- With inflation expected to peak at around 6% in April, the MPC may want to be seen to be active in taking action to counter inflation on 5th May, the release date for its Quarterly Monetary Policy Report.

- The December 2021 MPC meeting was more concerned with combating inflation over the medium term than supporting economic growth in the short term.
- Bank Rate increases beyond May are difficult to forecast as inflation is likely to drop sharply in the second half of 2022.
- However, the MPC will want to normalise Bank Rate over the next three years so that it has its main monetary policy tool ready to use in time for the next down-turn; all rates under 2% are providing stimulus to economic growth.
- We have put year end 0.25% increases into Q1 of each financial year from 2023 to recognise this upward bias in Bank Rate - but the actual timing in each year is difficult to predict.
- Covid remains a major potential downside threat in all three years as we ARE likely to get further mutations.
- How quickly can science come up with a mutation proof vaccine, or other treatment, – and for them to be widely administered around the world?
- Purchases of gilts under QE ended in December. Note that when Bank Rate reaches 0.50%, the MPC has said it will start running down its stock of QE.

MPC MEETING 16H DECEMBER 2021

- The Monetary Policy Committee (MPC) voted 8-1 to raise Bank Rate by 0.15% from 0.10% to 0.25% and unanimously decided to make no changes to its programme of quantitative easing purchases due to finish in December 2021 at a total of £895bn.

- The MPC disappointed financial markets by not raising Bank Rate at its November meeting. Until Omicron burst on the scene, most forecasters, therefore, viewed a Bank Rate increase as being near certain at this December meeting due to the way that inflationary pressures have been comprehensively building in both producer and consumer prices, and in wage rates. However, at the November meeting, the MPC decided it wanted to have assurance that the labour market would get over the end of the furlough scheme on 30th September without unemployment increasing sharply; their decision was, therefore, to wait until statistics were available to show how the economy had fared at this time.

- **On 10th December we learnt of the disappointing 0.1% m/m rise in GDP** in October which suggested that economic growth had already slowed to a crawl even before the Omicron variant was discovered in late November. Early evidence suggests growth in November might have been marginally better. Nonetheless, at such low rates of growth, the government's "Plan B" COVID-19 restrictions could cause the economy to contract in December.

- **On 14th December, the labour market statistics** for the three months to October and the single month of October were released. The fallout after the furlough scheme was smaller and shorter than the Bank of England had feared. The single-month data were more informative and showed that LFS employment fell by 240,000, unemployment increased by 75,000 and the unemployment rate rose from 3.9% in September to 4.2%. However, the weekly data suggested this didn't last long as unemployment was falling again by the end of October. What's more, the 49,700 fall in the claimant count and the 257,000 rise in the PAYE measure of company payrolls suggests that the labour market strengthened again in November. The other side of the coin was a further rise in the number of vacancies from 1.182m to a record 1.219m in the three months to November which suggests that the supply of labour is struggling to keep up with demand, although the single-month figure for November fell for the first time since February, from 1.307m to 1.227m.

- These figures by themselves, would probably have been enough to give the MPC the assurance that it could press ahead to raise Bank Rate at this December meeting. However, the advent of Omicron potentially threw a spanner into the works as it poses a major headwind to the economy which, of itself, will help to cool the economy. The financial markets, therefore, swung round to expecting no change in Bank Rate.

- **On 15th December we had the CPI inflation** figure for November which spiked up further from 4.2% to 5.1%, confirming again how inflationary pressures have been building sharply. However, Omicron also caused a sharp fall in world oil and other commodity prices; (gas and electricity inflation has generally accounted on average for about 60% of the increase in inflation in advanced western economies).

- **Other elements of inflation are also transitory** e.g., prices of goods being forced up by supply shortages, and shortages of shipping containers due to ports being clogged have caused huge increases in shipping costs. But these issues are likely to clear during 2022, and then prices will subside back to more normal levels. Gas prices and electricity prices will also fall back once winter is passed and demand for these falls away.

- Although it is possible that the Government could step in with some **fiscal support for the economy**, the huge cost of such support to date is likely to pose a barrier to incurring further major economy wide expenditure unless it is very limited and targeted on narrow sectors like hospitality, (as announced just before Christmas). The Government may well, therefore, effectively leave it to the MPC, and to monetary policy, to support economic growth – but at a time when the threat posed by rising inflation is near to peaking!

- This is the adverse set of factors against which the MPC had to decide on Bank Rate. For the second month in a row, the MPC blind-sided financial markets, this time with a **surprise increase in Bank Rate from 0.10% to 0.25%.** What's more, the hawkish tone of comments indicated that the MPC is now concerned that inflationary pressures are indeed building and need concerted action by the MPC to counter. This indicates that there will be more increases to come with financial markets predicting 1% by the end of 2022. The 8-1 vote to raise the rate shows that there is firm agreement that inflation now poses a threat, especially after the CPI figure hit a 10-year high this week. The MPC commented that "there has been significant upside news" and that "there were some signs of greater persistence in domestic costs and price pressures".

- On the other hand, it did also comment that **"the Omicron variant is likely to weigh on near-term activity".** But it stressed that at the November meeting it had said it would raise rates if the economy evolved as it expected and that now "these conditions had been met". It also appeared more worried about the possible boost to inflation form Omicron itself. It said that "the current position of the global and UK economies was materially different compared with prior to the onset of the pandemic, including elevated levels of consumer price inflation". It also noted the possibility that renewed social distancing would boost demand for goods again, (as demand for services would fall), meaning "global price pressures might persist for longer". (Recent news is that the largest port in the world in China has come down with an Omicron outbreak which is not only affecting the port but also factories in the region.)

- On top of that, there were no references this month to inflation being expected to be below the **2% target in two years' time,** which at November's meeting the MPC referenced to suggest the markets had gone too far in expecting interest rates to rise to over 1.00% by the end of the year.

- These comments indicate that there has been a material reappraisal by the MPC of the inflationary pressures since their last meeting and the Bank also increased its forecast for inflation to peak at 6% next April, rather than at 5% as of a month ago. However, as the Bank retained its guidance that only **a "modest tightening"** in policy will be required, it cannot be thinking that it will need to increase interest rates that much more. A typical policy tightening cycle has usually involved rates rising by 0.25% four times in a year. "Modest" seems slower than that. As such, the Bank could be thinking about raising interest rates two- or three-times next year to 0.75% or 1.00%.

- In as much as a considerable part of the inflationary pressures at the current time are indeed **transitory,** and will naturally subside, and since economic growth is likely to be weak over the next few months, this would appear to indicate that this tightening cycle is likely to be comparatively short.

- As for the timing of the next increase in Bank Rate, the MPC dropped the comment from November's statement that Bank Rate would be raised "in the coming months". That may imply another rise is unlikely at the next meeting in February and that May is more likely. However, much could depend on how adversely, or not, the economy is affected by Omicron in the run up to the next meeting on 3rd February. Once 0.50% is reached, the Bank would act to start shrinking its stock of QE, (gilts purchased by the Bank would not be replaced when they mature).

- **The MPC's forward guidance on its intended monetary policy** on raising Bank Rate versus selling (quantitative easing) holdings of bonds is as follows: -
    - Raising Bank Rate as "the active instrument in most circumstances".
    - Raising Bank Rate to 0.50% before starting on reducing its holdings.
    - Once Bank Rate is at 0.50% it would stop reinvesting maturing gilts.
    - Once Bank Rate had risen to at least 1%, it would start selling its holdings.

- **US.** Shortages of goods and intermediate goods like semi-conductors, have been fuelling increases in prices and reducing economic growth potential. In November, **CPI inflation hit a near 40-year record level of 6.8%** but with energy prices then falling sharply, this is probably the peak. The biggest problem for the Fed is the mounting evidence of a strong pick-up in cyclical price pressures e.g., in rent which has hit a decades high.

- **Shortages of labour** have also been driving up wage rates sharply; this also poses a considerable threat to feeding back into producer prices and then into consumer prices inflation. It now also appears that there has been a sustained drop in the labour force which suggests the pandemic has had a longer-term scarring effect in reducing potential GDP. Economic growth may therefore be reduced to between 2 and 3% in 2022 and 2023 while core inflation is likely to remain elevated at around 3% in both years instead of declining back to the Fed's 2% central target.

- Inflation hitting 6.8% and the feed through into second round effects, meant that it was near certain that the **Fed's meeting of 15th December** would take aggressive action against inflation. Accordingly, the rate of tapering of monthly $120bn QE purchases announced at its November 3rd meeting. was doubled so that all purchases would now finish in February 2022. In addition, Fed officials had started discussions on running down the stock of QE held by the Fed. Fed officials also expected three rate rises in 2022 of 0.25% from near zero currently, followed by three in 2023 and two in 2024, taking rates back above 2% to a neutral level for monetary policy. The first increase could come as soon as March 2022 as the chairman of the Fed stated his view that the economy had made rapid progress to achieving the other goal of the Fed – "maximum employment". The Fed forecast that inflation would fall from an average of 5.3% in 2021 to 2.6% in 2023, still above its target of 2% and both figures significantly up from previous forecasts. What was also significant was that this month the Fed dropped its description of the current level of inflation as being "transitory" and instead referred to "elevated levels" of inflation: the statement also dropped most of the language around the flexible average inflation target, with inflation now described as having exceeded 2 percent "for some time". It did not see Omicron as being a major impediment to the need to take action now to curtail the level of inflationary pressures that have built up, although Fed officials did note that it has the potential to exacerbate supply chain problems and add to price pressures.

- **EU.** The slow role out of vaccines initially delayed **economic recovery** in early 2021 but the vaccination rate then picked up sharply. After a contraction of -0.3% in Q1, Q2 came in with strong growth of 2%. With Q3 at 2.2%, the EU recovery was then within 0.5% of its pre Covid size. However, the arrival of Omicron is now a major headwind to growth in quarter 4 and the expected downturn into weak growth could well turn negative, with the outlook for the first two months of 2022 expected to continue to be very weak.

- **November's inflation figures** breakdown shows that the increase in price pressures is not just due to high energy costs and global demand-supply imbalances for durable goods as services inflation also rose. Headline inflation reached 4.9% in November, with over half of that due to energy. However, oil and gas prices are expected to fall after the winter and so energy inflation is expected to plummet in 2022. Core goods inflation rose to 2.4% in November, its second highest ever level, and is likely to remain high for some time as it will take a long time for the inflationary impact of global imbalances in the demand and supply of durable goods to disappear. Price pressures also increased in the services sector, but wage growth remains subdued and there are no signs of a trend of faster wage growth which might lead to *persistently* higher services inflation - which would get the ECB concerned. The upshot is that the euro-zone is set for a prolonged period of inflation being above the ECB's target of 2% and it is likely to average 3% in 2022, in line with the ECB's latest projection.

- **ECB tapering.** The ECB has joined with the Fed by also announcing at its meeting on 16th December that it will be reducing its QE purchases - by half from October 2022, i.e., it will still be providing significant stimulus via QE purchases for over half of next year. However, as inflation will fall back sharply during 2022, it is likely that it will leave its central rate below zero, (currently -0.50%), over the next two years. The main struggle that the ECB has had in recent years is that inflation has been doggedly anaemic in sticking below the ECB's target rate despite all its major programmes of monetary easing by cutting rates into negative territory and providing QE support.

- The ECB will now also need to consider the impact of **Omicron** on the economy, and it stated at its December meeting that it is prepared to provide further QE support if the pandemic causes bond yield spreads of peripheral countries, (compared to the yields of northern EU countries), to rise. However, that is the only reason it will support peripheral yields, so this support is limited in its scope.

- The EU has entered into a **period of political uncertainty** where a new German government formed of a coalition of three parties with Olaf Scholz replacing Angela Merkel as Chancellor in December 2021, will need to find its feet both within the EU and in the three parties successfully working together. In France there is a presidential election coming up in April 2022 followed by the legislative election in June. In addition, Italy needs to elect a new president in January with Prime Minister Draghi being a favourite due to having suitable gravitas for this post. However, if he switched office, there is a significant risk that the current government coalition could collapse. That could then cause differentials between Italian and German bonds to widen when 2022 will also see a gradual running down of ECB support for the bonds of weaker countries within the EU. These political uncertainties could have repercussions on economies and on Brexit issues.

- **CHINA.** After a concerted effort to get on top of the virus outbreak in Q1 2020, economic recovery was strong in the rest of **2020**; this enabled China to recover all the initial contraction. During 2020, policy makers both quashed the virus and implemented a programme of monetary and fiscal support that was particularly effective at stimulating short-term growth. At the same time, China's economy benefited from the shift towards online spending by consumers in developed markets. These factors helped to explain its comparative outperformance compared to western economies during 2020 and earlier in 2021.

- However, the pace of economic growth has now fallen back in **2021** after this initial surge of recovery from the pandemic and looks likely to be particularly weak in 2022. China has been struggling to contain the spread of the Delta variant through using sharp local lockdowns - which depress economic growth. Chinese consumers are also being very wary about leaving home and so spending money on services. However, with Omicron having now spread to China, and being much more easily transmissible, this strategy of sharp local lockdowns to stop the virus may not prove so successful in future. In addition, the current pace of providing boosters at 100 billion per month will leave much of the 1.4 billion population exposed to Omicron, and any further mutations, for a considerable time. The **People's Bank of China** made a start in December 2021 on cutting its key interest rate marginally so as to stimulate economic growth. However, after credit has already expanded by around 25% in just the last two years, it will probably leave the heavy lifting in supporting growth to fiscal stimulus by central and local government.

- Supply shortages, especially of coal for power generation, were causing widespread power cuts to industry during the second half of 2021 and so a sharp disruptive impact on some sectors of the economy. In addition, recent regulatory actions motivated by a political agenda to channel activities into officially approved directions, are also likely to reduce the dynamism and long-term growth of the Chinese economy.

- **JAPAN.** 2021 has been a patchy year in combating Covid. However, recent business surveys indicate that the economy has been rebounding rapidly in 2021 once the bulk of the population had been double vaccinated and new virus cases had plunged. However, Omicron could reverse this initial success in combating Covid.

- The Bank of Japan is continuing its **very loose monetary policy** but with little prospect of getting inflation back above 1% towards its target of 2%, any time soon: indeed, inflation was actually negative in July. New Prime Minister Kishida, having won the November general election, brought in a supplementary budget to boost growth, but it is unlikely to have a major effect.

- **WORLD GROWTH.** World growth was in recession in 2020 but recovered during 2021 until starting to lose momentum in the second half of the year, though overall growth for the year is expected to be about 6% and to be around 4-5% in 2022. Inflation has been rising due to increases in gas and electricity prices, shipping costs and supply shortages, although these should subside during 2022. While headline inflation will fall sharply, core inflation will probably not fall as quickly as central bankers would hope. It is 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, and vice versa. This is likely to reduce world growth rates from those in prior decades.

- **SUPPLY SHORTAGES**. The pandemic and extreme weather events, followed by a major surge in demand after lockdowns ended, have been highly disruptive of extended worldwide supply chains. Major queues of ships unable to unload their goods at ports in New York, California and China built up rapidly during quarters 2 and 3 of 2021 but then halved during quarter 4. Such issues have led to a misdistribution of shipping containers around the world and have contributed to a huge increase in the cost of shipping. Combined with a shortage of semi-conductors, these issues have had a disruptive impact on production in many countries. The latest additional disruption has been a shortage of coal in China leading to power cuts focused primarily on producers (rather than consumers), i.e., this will further aggravate shortages in meeting demand for goods. Many western countries are also hitting up against a difficulty in filling job vacancies. It is expected that these issues will be gradually sorted out, but they are currently contributing to a spike upwards in inflation and shortages of materials and goods available to purchase.

Appendix G – Interest Rate Forecasts 2021 – 2025

PWLB forecasts shown below have taken into account the 20 basis point certainty rate reduction effective as of the 1st November 2012.

	MAR-22	Jun-22	Sep-22	Dec-22	Mar-23	Mar-24	Mar-25
Bank Rate	0.25	0.50	0.50	0.50	0.75	1.00	1.25
5yr PWLB	1.50	1.50	1.60	1.60	1.70	1.90	2.00
10yr PWLB	1.70	1.80	1.80	1.90	1.90	2.10	2.30
25yr PWLB	1.90	2.00	2.10	2.10	2.20	2.30	2.50
50yr PWLB	1.70	1.80	1.90	1.90	2.00	2.10	2.30

The Link forecasts are as at 20.12.21

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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 can 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 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 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 must 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 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 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 can 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.

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<u>Appendix I – Treasury Management Implications of HRA Reform</u>

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	675,454		675,454	84.47%
HRA	418,463		124,187	15.53%
Total	**1,093,917**		**799,641**	**100.00%**
		Of which financed:	*488,374*	
		Of which unfinanced:	*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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