Public Document Pack

MANCHESTER CITY COUNCIL

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PO Box 532, Town Hall
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Thursday, 24 February 2022

Meeting of the Council – Friday, 4th March, 2022

This is a **Combined Summons pack** for information only.

1. The Lord Mayor's Announcements and Special Business

2. Interests
To allow members an opportunity to declare any personal, prejudicial or disclosable pecuniary interest they might have in any items which appear on this agenda; and record any items from which they are precluded from voting as a result of Council Tax or Council rent arrears. Members with a personal interest should declare that at the start of the item under consideration. If members also have a prejudicial or disclosable pecuniary interest they must withdraw from the meeting during the consideration of the item

3. Minutes 5 - 16
To submit for approval the minutes of the meeting held on 2 February 2022.

4. The Council's Revenue and Capital Budget 2022/23

4a. Proceedings of the Art Galleries Committee on 16 February 2022 17 - 18
To approve the proceedings of the Art Galleries Committee on 16 February 2022 in relation to the Art Galleries Budget 2022/23.

4b. Part of the proceedings of Executive on 16 February 2022 relating to the budget for 2022/23 19 - 44
To approve the part proceedings of the Executive on 16 February 2022 which contain details of the following:

- Revenue Monitoring to the end of December 2021;
- Capital Programme Monitoring 2021/22*;
- Medium Term Financial Strategy 2022/23 and 2024/25;
- Revenue Budget 2022/23
- Children and Education Services Directorate Budget 2022/23
- Health and Social Care - Adult Social Care and Population Health Budget 2022/23;
- Neighbourhoods Directorate Budget 2022/23;
- Growth and Development Directorate Budget 2022/23;

- Corporate Core Budget 2022/23;
- Housing Revenue Account 2022/23 to 2024/25;
- Capital Strategy and Budget 2020/21 to 2024/25 (Item 4i below);
- Treasury Management Strategy Statement 2022/23, including Borrowing Limits and Annual Investment Strategy (Item 4j below).

(Members of the Council need to take account of the above reports which were considered by Executive on 16 February 2022. The Council Budget Paper pack is available on the Council's website (link address below) and paper copy - on request.)

Weblink address:
https://democracy.manchester.gov.uk/ieListDocuments.aspx?CId=135&MId=3700&Ver=4

*The Council is requested to note the Capital Programme Monitoring 2021/22 report.

4c. Minutes of the Resource and Governance Scrutiny Committee held on 28 February 2022, in relation to the overall budget proposals 45 - 50

4d. To approve proposals to ensure the Housing Revenue Account for 2022/23 does not show a debit

4e. To determine affordable borrowing limits, prudential indicators, proposals in respect of treasury management, annual investment strategy and minimum revenue budget strategy

4f. To calculate the Council Tax requirement in accordance with Section 31A of the Local Government Finance Act 1992, as amended

4g. To calculate a basic amount of Council Tax and an amount for each valuation band (the City Council element) in accordance with Sections 31B and 36 of the Local Government Finance Act, 1992, as amended

4h. To set an amount of Council Tax for each valuation band in accordance with Section 30 of the Local Governance Finance Act, 1992

4i. Capital Strategy and Budget 2022/23 51 - 108
Report of the Deputy Chief Executive and City Treasurer is enclosed.

4j. **Treasury Management Strategy Statement 2022/23, including Borrowing Limits and Annual Investment Strategy** 109 - 166
Report of the Deputy Chief Executive and City Treasurer is enclosed.

4k. **Budget consultation results 2022/23** 167 - 188
Report of the Deputy Chief Executive and City Treasurer and Head of Strategic Communications is enclosed.

4l. **Council Tax Resolution 2022/23** 189 - 226
Report of the Deputy Chief Executive and City is enclosed

Yours faithfully,

Joanne Roney OBE
Chief Executive

Information about the Council

The Council is composed of 96 councillors with one third elected three years in four. Councillors are democratically accountable to residents of their ward. Their overriding duty is to the whole community, but they have a special duty to their constituents, including those who did not vote for them.

Six individuals with previous long service as councillors of the city have been appointed Honorary Aldermen of the City of Manchester and are entitled to attend every Council meeting. They do not however have a vote.

All councillors meet together as the Council under the chairship of the Lord Mayor of Manchester. There are seven meetings of the Council in each municipal year and they are open to the public. Here councillors decide the Council's overall strategic policies and set the budget each year.

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

Members of the Council

Councillors:-

T Judge (Chair), Abdullatif, Akbar, Azra Ali, Ahmed Ali, Nasrin Ali, Sameem Ali, Shaukat Ali, Alijah, Andrews, Appleby, Baker-Smith, Bano, Battle, Bayunu, Benham, Bridges, Butt, Chambers, Chohan, Clay, Collins, Connolly, Cooley, Craig, Curley, M Dar, Y Dar, Davies, Doswell, Douglas, Evans, Farrell, Flanagan, Foley, Good, Green, Grimshaw, Hacking, Hassan, Hewitson, Hilal, Hitchen, Holt, Hughes, Hussain, Igbon, Ilyas, Jeavons, Johns, S Judge, Kamal, Karney, Kirkpatrick, Lanchbury, Leech, J Lovecy, Ludford, Lynch, Lyons, McHale, Midgley, Monaghan, Moore, Newman, Noor, Nunney, B Priest, H Priest, Rahman, Raikes, Rawlins, Rawson, Razaq, Reeves, Reid, Riasat, Richards, Robinson, Rowles, Russell, Sadler, M Sharif Mahamed, Sheikh, Shilton Godwin, Simcock, Stanton, Stogia, Taylor, Wheeler, Whiston, White, Wills, Wilson and Wright

Honorary Aldermen of the City of Manchester –
Hugh Barrett, Andrew Fender, Audrey Jones JP, Paul Murphy OBE, Nilofar Siddiqi and Keith Whitmore.

Further Information

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

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Council

Minutes of the meeting held on Wednesday, 2 February 2022

Present:

The Right Worshipful, the Lord Mayor Councillor T Judge – in the Chair

Councillors:
Abdullatif, Akbar, Azra Ali, Ahmed Ali, Nasrin Ali, Andrews, Bano, Benham, Bridges, Butt, Chambers, Chohan, Clay, Collins, Connolly, Cooley, Craig, Curley, M Dar, Y Dar, Doswell, Evans, Farrell, Foley, Flanagan, Grimshaw, Hacking, Hassan, Hewitson, Hilal, Hitchen, Holt, Hughes, Hussain, Jeavons, S Judge, Kamal, Karney, Kirkpatrick, Lanchbury, Leech, J Lovecy, Lynch, Lyons, Midgley, Monaghan, Moore, Newman, Noor, Nunney, B Priest, H Priest, Rahman, Rawlins, Rawson, Razaq, Reeves, Reid, Riasat, Richards, Robinson, M Sharif Mahamed, Sheikh, Shilton-Godwin, Simcock, Stanton, Stogia, Taylor, Wheeler, White, Wills, Wilson and Wright

CC/22/01 Motion without Notice – Withdrawal of an item

The Leader of the Council moved a motion without notice to change the order of the Council business (Council Procedure Rule 19.1(e)), to withdraw from the summons Item 11 - Waiver of six-month Councillor attendance rule (Section 85 Local Government Act 1972).

The motion was seconded by Councillor Karney.

Resolution

The motion was put to Council and voted on, and the Lord Mayor declared that it was carried.

Decision

That the order of business be changed to withdraw from the summons Item 11 - Waiver of six-month Councillor attendance rule (Section 85 Local Government Act 1972).

CC/22/02 The Lord Mayor's Special Business – New Year's Honours List

The Lord Mayor informed the Council that he had written to the following people, who are either Mancunians or live or work in the city, to recognize and congratulate them on the honour they have received, as stated in the New Year's Honours list:

- Laura Rebecca Kenny - Dame Commander of the Order of the British Empire
- Jason Francis Kenny - Knights Bachelor
- Jody Alan Cundy – Commander of the Most Excellent order of the British Empire
- Professor Malcolm Colin Press - Commander of the Most Excellent order of the British Empire

- Shabir Fazal - Officer of the Most Excellent order of the British Empire
- Figen Murray - Officer of the Most Excellent order of the British Empire
- Sharman Birtles - Member of the Most Excellent order of the British Empire
- Bernadette Conlon - Member of the Most Excellent order of the British Empire
- Michael Norman Gwynne Evans - Member of the Most Excellent order of the British Empire
- Helena Grzesk - Member of the Most Excellent order of the British Empire
- Cherylee Houston - Member of the Most Excellent order of the British Empire
- Cornel Grant – British Empire Medal
- Sergeant Damieon Hartley-Pickles – British Empire Medal

CC/22/03 The Lord Mayor's Announcement – Notification of Councillor Resignation

The Lord Mayor reported the resignations of former Councillor and Leader of the Council Sir Richard Leese and former Councillor Marcia Hutchinson.

CC/22/04 The Lord Mayor's Urgent Business

The Lord Mayor agreed to the submission of the minutes of the Constitutional and Nomination Committee that had taken place prior to the meeting of Council.

CC/22/05 Minutes

Decision

The Minutes of the meeting held on 1 December 2021 were approved as a correct record and signed by the Lord Mayor.

CC/22/06 Notice of Motion - Strengthening Licensing in the Private Rented Sector

This Council believes that everyone has the right to a safe and secure home. After two years of lockdowns and Covid restrictions, it is more important than ever that people are able to access appropriate housing, to enjoy being in their homes and that our communities are not blighted by the impact of rogue landlords. Under the current housing crisis caused by 12 years of Conservative and Liberal Democrat cuts, Manchester residents are having to become more reliant on private rented landlords to meet their housing needs.

The latest estimates from Council Tax suggest that 38% of Manchester households live in the private rented sector, which equates to around 90,000 homes.

Unfortunately, thousands of renters across the city continue to live in unsafe or substandard accommodation. In addition to this, many welfare recipients are illegally discriminated against when trying to secure accommodation in the private rented sector and often have limited means to challenge this discrimination. It is clear that greater action is needed to tackle rogue landlords and agents who do not manage their properties properly.

Under Labour leadership, the Council has made great efforts to ensure that Mancunians have access to good quality and affordable housing.

In Manchester, we have programmes of both HMO mandatory licensing across the city and targeted selective licensing in North, East and Central Manchester. Both programmes give us the opportunity and scope to take action against landlords to deliver the safe and secure housing that our residents deserve.

The Council also welcomes commitments by the Greater Manchester Mayor to introduce a Greater Manchester Good Landlord Charter to drive up standards in the private rented sector.

This Council notes that:

- Strengthening the landlord licensing scheme would benefit all our mixed residential communities across the city, not just those living in private rented housing.
- The Conservative Government since 2010 have taken little action to regulate private landlords and improve conditions for private rented tenants.
- The landlord licensing scheme has so far had a positive impact and has led to landlord prosecutions and over £1.05 million in fines being served on landlords in recent years.

This Council resolves:

- To broaden the scope of the licensing scheme by identifying further areas for inclusion and rolling out the scheme as quickly as possible, particularly in areas of greater deprivation.
- To include anti-discrimination clauses in all future licensing requirements which would prevent landlords from discriminating against tenants on the basis of a protected characteristic or those in receipt of benefits.
- To review the license requirement for refuse checks and strengthen this if it is found that it could be more effective. Particularly this review should consider the prevention of Council waste issues including bins being left on public footpaths and landlords and agents properly dealing with waste issues in front gardens.
- To ensure that council officers are making use of all legal and enforcement powers that are at our disposal to take the strongest and swiftest action against landlords who are in breach of their license.
- To investigate the inclusion of a clause which would prevent landlords from leaving properties empty for an unreasonable period of time.
- To call on the Conservative Government to give local authorities further and stronger legal enforcement powers to tackle poor private landlords to help improve the living standards and conditions for local residents in our city.

Motion proposed and seconded:

Resolution

The motion was put to Council and voted on and the Lord Mayor declared that it was carried unanimously.

Decision

- To broaden the scope of the licensing scheme by identifying further areas for inclusion and rolling out the scheme as quickly as possible, particularly in areas of greater deprivation.
- To include anti-discrimination clauses in all future licensing requirements which would prevent landlords from discriminating against tenants on the basis of a protected characteristic or those in receipt of benefits.
- To review the license requirement for refuse checks and strengthen this if it is found that it could be more effective. Particularly this review should consider the prevention of Council waste issues including bins being left on public footpaths and landlords and agents properly dealing with waste issues in front gardens.
- To ensure that council officers are making use of all legal and enforcement powers that are at our disposal to take the strongest and swiftest action against landlords who are in breach of their license.
- To investigate the inclusion of a clause which would prevent landlords from leaving properties empty for an unreasonable period of time.
- To call on the Conservative Government to give local authorities further and stronger legal enforcement powers to tackle poor private landlords to help improve the living standards and conditions for local residents in our city.

CC/22/07 Notice of Motion - Trans Rights Are Human Rights

Manchester is a city that firmly believes in equality of opportunity. We believe that trans women are women, trans men are men and non-binary individuals are non-binary. We know that our differences within our communities can make our city stronger and that shapes the vision of our city.

This Council notes:

- The rise in reports of violent attacks and hate crime against LGBTQ+ people, with hate crime against trans people having quadrupled in the last 5 years.
- The Tory Government has fallen far short of its promise to reform the GDA (Gender Recognition Act), despite the consultation yielding overwhelming support for change, the results mean the process will not be de-medicalised, the spousal veto will remain, and legal recognition for non-binary individuals will not be extended.
- Trans people are more likely to take their own life, with one in four young trans people attempting to take their own life.
- Manchester has a strong history of being at the forefront of the fight for LGBTQ+ equality, with serving Councillors leading the historic Section 28 Protests.
- That Manchester Labour boasts one of the largest groups of LGBTQ+ Councillors in the country, who stand up for our community daily.

• Manchester City Council has a proud and recognised history of working to achieve equality of opportunity both within the Town Hall, across the city, and the world, whilst supporting groups and organisations to deliver essential services, projects and events.
• That research commissioned by Stonewall and conducted Council by YouGov in 2018 found that:

i. When accessing general healthcare services in the last year, two in five trans people (41%) said healthcare staff lacked understanding of trans health needs.
ii. Three in five (62%) of trans people who have undergone, or are currently undergoing, medical intervention for their transition are unsatisfied with the time it took to get an appointment.
iii. One in four (24%) of trans people fear discrimination from a healthcare provider. iv. 7% of trans people were refused access to healthcare because they were LGBTQ+.

• That Manchester's Labour Council has undertaken the following recent work to support for the LGBTQ+ community:
i.Announcing the UK's first purpose-built majority LGBT+ Extra Care housing facility in Manchester.
ii. Financial support to LGBTQIA+ groups through Neighbourhood Investment Funds.
iii. Conduct a Gay Village Review in order to establish a community-built vision for the area.

• The amazing work that has been done is no reason to stop and the Council can continue to challenge itself and others to be better in supporting LGBTQ+ community.

This Council therefore resolves to:

1. Affirm trans men are men, trans women are women, non-binary people are non-binary and trans rights are human rights.

2. Facilitate and strongly encourage all councillors to attend relevant training to learn of the challenges faced by trans people.

3. Write to the Secretary of State for Health and Adult Social Care to call for the government to:

• Provide the funding and resources necessary to increase the capacity of and improve access to trans and non-binary healthcare, including expanding gender identity services and reducing waiting times.
• Develop strategies to recruit more clinicians to become gender identity specialists across all relevant disciplines and train staff across the NHS on issues affecting trans and non-binary people.
• Commit to effectively and regularly consulting trans and non-binary people and groups in the design and delivery of trans and non-binary healthcare.

4. Continue working to promote and extend our Pride in Practice provision, delivered with the LGBT Foundation, to all healthcare providers in Manchester to make sure that our hospitals, GPs, and pharmacies are accessible for trans and non-binary people. Council
5. Conduct an audit of Council services to ensure they are as accessible as possible to trans and non-binary people.

6. Look into what we can do as a Council as an employer to further support those who identify as trans and non-binary.
7. Re-fresh our Gay Village Review in-light of Covid and publish it by the end of 2022, setting up a working group that is representative of our whole community and looks to work towards its recommendations.

8. Declare that our city is a welcoming, tolerant and progressive city that will not let hate divide our communities.

Motion proposed and seconded:

Resolution

The motion was put to Council and voted on and the Lord Mayor declared that it was carried unanimously.

Decision

1. Affirm trans men are men, trans women are women, non-binary people are non-binary and trans rights are human rights.

2. Facilitate and strongly encourage all councillors to attend relevant training to learn of the challenges faced by trans people.

3. Write to the Secretary of State for Health and Adult Social Care to call for the government to:

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5. Conduct an audit of Council services to ensure they are as accessible as possible to trans and non-binary people.

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8. Declare that our city is a welcoming, tolerant and progressive city that will not let hate divide our communities.

CC/22/08 Appointment of Executive Members and their Portfolios

The Leader of the Council submitted a report to advise the Council of the appointment of Executive Members and their portfolios. In accordance with Articles 7.4(a) and 7.5(a) of the Constitution, the appointment of the Deputy Leader and Executive Members takes effect on receipt of the Leader's written notice by both the person who the Leader is appointing as Deputy Leader and as Executive Member(s) and the Monitoring Officer.

The Monitoring Officer maintains a written record of the appointment of the Deputy Leader and Executive Member(s). The Leader is required to report these appointments, including their portfolio, to Council and the Executive at the earliest opportunity.

The Executive Members and their portfolio are as follows:

Portfolio	Member	Leads on
Leader	Councillor Bev Craig	City Centre Communications Community Asset Transfer Corporate Property Covid Recovery Devolution Economic Policy & Major Economic Development External Relationships Finance (Budget, Capital Programme, Revenues & Benefits) Legal (including Registrars & Coroner) Overall Policy Co-Ordination Procurement & Social Value Strategic Transport
Deputy Leader (Statutory)	Councillor Luthfur Rahman	Civic Culture & Events Equalities & Community

		Cohesion Future Shape Homelessness Human Resources & Organisational Development International Internal I.T. Our Manchester Performance Voluntary Sector
Deputy Leader	Councillor Joanna Midgley	Adult Care Domestic Abuse Early Intervention & Prevention Family Poverty Health Refugees & Asylum Seekers
Children's Services	Councillor Garry Bridges	16-19 Children & Families Early Years Looked After Children to Age 25 Play Schools Young People
Environment	Councillor Tracey Rawlins	Air Quality All Green Issues (Including Climate Change) Biodiversity Food Sustainability Highways Infrastructure & Waste Licensing & Planning Policy Transport & Parking Zero Carbon
Housing and Employment	Councillor Gavin White	Community Assets Digital Strategy District/Neighbourhood Centres Local Economic Strategy (Employment & Adult Skills, Apprenticeships, Worklessness, Employer Engagement) Strategic Housing
Neighbourhoods	Councillor Rabnawaz Akbar	All Enforcement Bereavement Services Crime & Anti-Social Behaviour Leisure

		Libraries Markets & Other Traded Services Neighbourhood Management (Including Housing Management) Parks & Allotments

Decision

The Council noted the appointment of the Deputy Leader(s) and Executive Member(s).

CC/22/09 Proceedings of the Executive

The proceedings of the Executive on 15 December 2021 and 19 January 2022 were submitted.

The Council was asked to give particular consideration to the following recommendations:

Exe/22/05 Capital Programme Update Report
- Neighbourhoods – Beswick Hub RFL. A capital budget increase of £2.577m is requested, funded by Waterfall Fund.
- ICT – EYEs Phase 2. A capital budget decrease of £1.352m is requested funded from borrowing along with a corresponding revenue budget increase of £1.352m funded from Capital Fund.

Members of the Council also spoke in recognition of the personal sacrifices and difficult circumstances of Manchester residents regarding family members and friends during the observation of covid 19 rules and restrictions. The restrictions have impacted greatly on the lives of people by preventing them from spending precious time with loved ones because they believed they were doing the right thing to protect the vulnerable and to keep each other safe by restricting the spread of the virus. Reference was made to the ongoing investigation by the Metropolitan Police regarding the breaking of covid rules while the rest of the country had observed them.

Decisions

1. To receive the minutes of the Executive held on 15 December 2021 and 20 January 2022.

2. Approve the following change to Manchester City Council's capital programme: Neighbourhoods – Beswick Hub RFL. A capital budget increase of £2.577m, to be funded by Waterfall Fund.

3. Approve the following change to Manchester City Council's capital

programme: ICT - EYEs Phase 2. A capital budget decrease of £1.352m to be funded from borrowing along with a corresponding revenue budget increase of £1.352m funded from Capital Fund.

CC/22/10 Questions to Executive Members under Procedural Rule 23

Councillor Rawlins responded to a question from Councillor Leech regarding the proposed removal of a speed awareness sign from the proposed Dene Road safety scheme.

Councillor Rawlins responded to a question from Councillor Stanton regarding the installation and activation of speed sign on Dene Road.

Councillor Rahman responded to a question from Councillor Igbon regarding council support for small voluntary sector groups to help them remain sustainable, following the impact of the covid pandemic.

Councillor White responded to a question from Councillor Nunney regarding the Green Homes Grant Local Authority Delivery scheme and the amount of funding Manchester had received from the £52.8m allocated to the North West region.

Councillor Rawlins responded to a question from Councillor Nunney regarding the Council's response to the Manchester Climate Change Assembly mandate.

Councillor White responded to a question from Councillor Stanton regarding the Council's plans for affordable housing in Didsbury.

Councillor Rawlins responded to a question from Councillor Leech regarding on the Biffa Cleansing Contract.

Councillor Rawlins responded to a question from Councillor Leech regarding safety works to the building next to Didsbury Cenotaph.

Councillor White responded to a question from Councillor Leech regarding government funding to transform derelict brownfield sites into housing and disused brownfield sites in Manchester.

Councillor Rawlins responded to a question from Councillor Leech regarding changes to the Highway Code.

Councillor White responded to a question from Councillor Grimshaw regarding a planning application.

Councillor Akbar responded to a question from Councillor Grimshaw regarding recreational land on Iron Street.

Councillor Rawlins responded to a question from Councillor Grimshaw regarding the provision of a cycle path along the Rochdale Canal.

CC/22/11 Scrutiny Committees

The minutes of the following Scrutiny Committee meetings were submitted:

Communities and Equalities 7 December 2021 and 11 January 2022
Resources & Governance 7 December 2021 and 11 January 2022
Health 8 December 2021 and 12 January 2022
Children & Young People 8 December 2021 and 12 January 2022
Environment & Climate Change 9 December 2021 and 13 January 2022
Economy 9 December 2021 and 13 January 2022

Decision

To receive those minutes.

CC/22/12 Proceedings of Committees

The minutes of the following meetings were submitted:

Constitutional and Nomination Committee 2 February 2022

The Council was asked to give particular consideration to the following recommendations from those minutes:

CN/22/02 Membership of Council Committees

Decision

To recommend the Council to make the following changes in appointments to Committees and Boards of the Council.

COMMITTEE	MEMBER APPOINTED	MEMBER REMOVED
Licensing Committee	Councillor Fiaz Riasat	
Licensing and Appeals Committee	Councillor Fiaz Riasat	
Communities and Equalities Scrutiny Committee	Councillor Ahmed Ali	
Economy Scrutiny		Councillor Julia Baker-Smith
Health Scrutiny		Councillor Sue Cooley

Appointment of Co-opted Member for Children and Young People Scrutiny Committee.

Parent Governor Representatives (voting Co-opted Members)
Appoint: Gary Cleworth for a period of two years (ending 2/2/2024).

Audit Committee 23 November 2021
Licensing and Appeals Committee 24 January 2022
Personnel Committee 16 December 2021
Health and Wellbeing Board 26 January 2022
Planning and Highways Committee 16 December 2021 and 20 January 2022

Councillor Flanagan made reference to planning application PH/22/03131895/JO/2021 and the provision of local recreational facilities following the loss of existing as part of the proposed development. A request was made for Executive members and officers to work to provide new facilities for local residents to access to help improve health and wellbeing.

Decisions

1. To receive those minutes submitted.

2. To approve the changes in appointments to Committees of the Council, as detailed above.

CC/22/13 Process for the Appointment of the External Auditor

The Deputy Chief Executive and City Treasurer submitted a report setting out proposals for appointing the City Council' external auditor for the five-year period from 2023/24.

The Local Audit and Accountability Act 2014 (the Act) at Section 7 states that a "relevant authority must appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding financial year." The City Council's current auditor contract with Mazars LLP has run from 2017 and was arranged through Public Sector Audit Appointments Limited (PSAA). This will expire on completion of the 2022/23 audit. The Council has three options to secure an appointment, these are:

- To run a local procurement;
- Procure in partnership with other authorities; or
- opt into a national arrangement.

The three options have been assessed and the preferred solution, as agreed at Audit Committee (23 November 2022), is to opt into the national procurement process being run by PSAA and supported by the LGA. Legislation requires that the decision to opt-in to this arrangement must be made by Council.

Decision

To approve the sector-led option through Public Sector Audit Appointments Limited for the appointment of external auditors to principal local government and police bodies for five financial years from 1 April 2023.

CC/22/14 Urgent Key Decisions

The Council considered the report of the City Solicitor on key decisions that have been taken in accordance with the urgency provisions in the Council's Constitution.

Decision

To note the report.

Art Galleries Committee

Minutes of a meeting held on 16 February 2022

Present:
Councillor Rahman – In the Chair
Councillors Bridges and Craig

Apologies: Councillors Midgley and White

AG/22/01 Minutes

Decision

To approve as a correct record the minutes of the meeting held on 17 February 2021.

AG/22/02 Manchester City Galleries' report and Revenue Budget 2022/23

The Committee considered a joint report of the Director of Manchester City Galleries and the Deputy Chief Executive and City Treasurer that Manchester City Galleries' providing an overview of the performance during 2021. The report also provided an outline of the plan to deliver the vision for the service in 2022/23, within the context of the strategic plan, and presented a draft revenue budget for 2022/23 for the approval of the Art Galleries Committee.

A short film was shown to demonstrate the ongoing transformation work taking place at Platt Hall to engage and welcome with residents and visitors through the wide offer of events and volunteering roles.

The report set out a proposed budget for 2022/23 which the Committee was recommended to endorse.

Budget Area	**Proposed gross proposed revenue budget 2022/23 £000**
Expenditure	
Staffing	2,697
Premises	24
Transport	36
Supplies and Services	776
Internal charges	19
Total Expenditure	3,552
Income	
MCC cash limit	2,244
ACE National Portfolio Organisation (NPO)	489
Art Galleries Trust (fundraising)	222

Earned income	465
Internal recharge (OTH Project)	132
Total Income	3,552

Committee members thanked officers for their continued good work to open up Gallery services to a wide audience across the city, in what have been challenging circumstances.

Decisions

1. To note the report and endorse the draft gross budget for 2021/22 of £3.552m, with cash limit budget contribution from Manchester City Council of £2.24m.

2. To recommend the budget to Executive for approval as part of the Council's budget setting process.

Executive

Part Proceedings of the meeting held on Wednesday, 16 February 2022 – 2022/23 Budget agenda items

Present: Councillor Craig (Chair)

Councillors: Akbar, Bridges, Midgley, Rahman, Rawlins, White, Butt, M Sharif Mahamed, Ilyas and Taylor

Also present as Members of the Standing Consultative Panel:
Councillors: Akbar, Bridges, Midgley, Rahman, Rawlins, White, Butt, M Sharif Mahamed, Ilyas and Taylor

Apologies: Councillor Karney

Exe/22/15 Revenue Budget Monitoring Update

The Executive considered a report of the Deputy Chief Executive and City Treasurer, which outlined the projected outturn position for 2021/22, based on expenditure and income activity as at the end of December 2021 and future projections.

The Leader advised that the current budget monitoring forecast was estimating an 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.

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

The report set out the following virements that had been applied in relation to COVID 19 and other virements between directorates as well as COVID 19 related grants received:-

COVID 19 related virements:-

- £131k virement from Coroners;
- £200k from Homelessness; and
- £350k virement from HR/OD.

These adjustments brought the 2021/22 transfer to smoothing reserve to £10.590m.

Other virements between directorates included:-

- £2.124m ICT budget centralisation to enable better analysis over the whole spend on IT Hardware, Phones and Printing

COVID 19 related Grants (where the Council was acting as principal and were added to Directorate budgets):-

- £1.805m – Workforce recruitment and retention fund;
- £666k – COVID Adult Social Care Omicron Support Fund;
- £185k – Community Vaccine champions programme;
- £0.729m – Protect and vaccinate;
- £0.689m – Homeless prevention grant top up; and
- £0.999m – Additional Restriction Grant Omicron (ARGO).

COVID 19 related Grants (where the Council was principal for the discretionary element of the funding and as agent for the remainder):-

- Test and Trace Support Payments (October - December), for adults who were self-isolating. £254k added to Directorate budgets, and £169k treated as agency as the council was 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 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.

COVID 19 related Grants (where the Council was agent for the fund):-

- £6.090m – Business Support - Omicron Hospitality and Leisure grant;
- £23.993m – COVID Additional Relief Fund (CARF); and
- £91.515m – Section 31 extended retail relief.

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

- £1.456m – Afghanistan Resettlement Education Grant;
- £3.870m. – Holiday activities and food programme 2022; and
- £200k – delivery of the Serious Violence Action Plan

Approval was also sought on the following allocations from corporate budgets:-

- Home to school transport - £120k to address the implications of the increases in fuel costs are now starting to impact on the provision of the Home to School Transport service;
- Unitary Charge Inflation – Street Lighting, £59k to address higher inflation (RPIX), lower interest earned on reserves and increased spend to save recharges than were assumed in the original model; and
- Biffa pay award, £556k to cover the estimated pay award, increase to the contract price and retention of HGV drivers

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

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

Decisions

The Executive:-

(1) Note the forecast outturn position which is showing a £1.170m underspend.

(2) Approve the proposed revenue budget virements as set out in the report.

(3) Approve additional COVID 19 grants to be reflected in the budget.

(4) Approve the use of other unbudgeted external grant funding (non COVID 19).

(5) Approve the allocation of budgets from corporate inflation.

Exe/22/16 Capital Programme Budget Monitoring 2021/22

The Executive considered a report of the Deputy Chief Executive and City Treasurer, which informed of the progress against the delivery of the 2021/22 capital programme to the end of December 2021, the latest forecast of capital expenditure and the major variances since the Capital Programme Monitoring report submitted in September 2021 and the proposed financing of capital expenditure for 2021/22 and affordability of the Capital Programme.

The Leader commented that the revised capital budget sat at £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.

The latest forecasted expenditure for 2021/22 for Manchester City Council was £328.2m compared to the current approved budget of £502.2m. Spend as of 31 December 2021 was £173.3m. It was reported that the programme was subject to continual review to establish whether the forecast remained achievable.

Whilst the intention was for the Council to progress the programme as stated, some projects and their sources of funding might require re-profiling into future years. The total approved programme was forecasted to be £1,139.1m over the next four years.

Decision

The Executive note the report.

Exe/22/17 2022/23 Budget Overview and Section 25 Report

The Executive considered a report of the Deputy Chief Executive and City Treasurer, which sets the strategic and financial context which supported the 2022/23 Budget.

A Medium-Term Financial Strategy report to Executive in 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.

As reported to Executive on 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 would enable a balanced budget to be delivered in 2022/23.

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

The report went on to set out the strategic and statutory context for setting the budget, which included:-

- 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; and
- Financial Governance.

Decision

The Executive note the Medium Term Financial Strategy 2022/23 and 2024/25

Exe/22/18 Medium Term Financial Plan and 2022/23 Revenue Budget

The Executive considered a report of the Deputy Chief Executive and City Treasurer, which set out the budget proposals for 2022/23 based on the outcome of the Final Local Government Finance Settlement, which had been released on 7 February 2022.

The budget report considered at the 17 November 2021 meeting of Executive set out the funding proposals for unavoidable cost pressures to cover the rising costs of inflation and specific service pressures that had been identified, resulting in £7.7m of efficiency measures required to deliver a balanced budget. Of these measures £4,017m relates to new savings proposed, these were listed at Appendix 1 of the report. A further £3.716m related to the following mitigations:

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

Whilst the Provisional Finance Settlement was at the positive end of expectations and enabled a balanced budget to be proposed, the funding for local government was '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 put further pressure on 2023/24 and 2024/25 financial years and significant budget cuts would need to be delivered over the Spending Review period to set a balanced budget:-

Impact of settlement announcements on budget gap			
	2022/23	**2023/24**	**2024/25**
	£,000	**£,000**	**£,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**

The report to 17 January 2022 Executive set out that the funding announced for 2022/23 made available £12m to fund additional pressures, emerging risks and new priorities, and that, in line with the previously agreed approach, this was used across a three-year period In addition, the draft budget position reflected a tighter estimated financial position and included £7.8m efficiencies and funding for unavoidable and specific budget pressures only. The following reflected these pressures, resident priorities and those in the updated Corporate Plan:-

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**

In addition to the investment proposals set out above there were a number of other changes to be reflected in the final budget position:-

Proposed changes since Executive meeting on 17 January 2022			
	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**

The report explained that the Council's net revenue budget was funded from five main sources: Business Rates, Council Tax, government grants, dividends, and use of reserves. In recent years the on-going reductions in central government funding had increased the importance of growing and maintaining local income and local funding sources, which was now integral to the Council's financial planning

The table below summarised 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.

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**

The report presented in more detail the main elements that had been part of the Local Government Finance Settlement, which had been outlined in the January report.

The assumption on the Council Tax was that the Council would apply a 1.99% Council Tax increase in the basic amount, and a further 1% increase to provide extra funding for Adult Social Care, equating to a 2.99% Council Tax increase overall.

The assumption for the Council Tax collection rate had been increased from 94.5% to 95.5% in 2022/23 increasing forecast income by £1.9m. By 2023/24 collection was assumed to be back at the usual pre-pandemic level of 96.5%.

The report examined the future funding uncertainties facing the Council. The City Treasurer had examined the major assumptions used within the budget calculations and had 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 were set out in the report.

The details of the business rate calculations, forecasts and assumptions were set out in the report, as well as the financial changes arising from the business rate related grants and funding the government had provided to support businesses, and the reliefs provide to business badly affected by the measures to control the COVID-19 pandemic.

The report provided a breakdown of the other non-ringfenced grants and contributions included in the budget. The most significant grants and contributions were described in detail in the report.

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**

The report also examined the use of resources and the proposed revenue expenditure by the Council in 2022/23. The forecast of levy payments the Council would have to make to other authorities in 2022/23 was:-

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**

The waste disposal levy was paid over to Greater Manchester Combined Authority (GMCA) and this contributed towards their costs of funding Greater Manchester Waste Disposal Authority (GMWDA). Based on figures provided by GMCA the 2021/22 levy costs were to increase by £1.225m, due to changes in costs, recycling rates and market prices for recyclates and energy. The budget had been uplifted to reflect the increased costs. The final amount would be confirmed following the meeting of the GMCA on 11 February 2022. As such, a contingency provision of £1.69m was being proposed, which included:-

- £0.6m as an unallocated contingency to meet future unforeseen expenses. This was 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 were based on 7% above pre-COVID levels. Any increase above this would result in the council being liable for a higher charge.

The proposed Insurance costs of £2.004m related to the cost of external insurance policies as well as contributions to the insurance fund reserve for self-insured risks.

The capital financing budget of £39.507m was to cover the costs of borrowing. For 2022/23 the forecast breakdown included:-

- 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

Specific transfers to reserves totalling £13.545m in 2020/21 and £24.638m in 2021/22 were also proposed

Allowances of £8.316m had also been made for retired staff and teachers' pensions to meet the cost of added-years payments awarded to former employees.

The report explained the main assumptions that had been made when calculating provision to be made for inflation and other anticipated costs. These could not, at this point in time, be allocated to Directorate or other budgets. They would instead be allocated throughout the coming year. The total provision being proposed was £4.551m for 2022/23, broken down into:-

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**

The report explained that the Council held a number of reserves, all of which, aside from the General Fund Reserve, had been set aside to meet specific future expenditure or risks. A fundamental review of all the reserves held had been carried out as part of the budget setting process and the planned use of reserves in 2022/23 to support revenue expenditure was as follows:-

Use of reserves supporting the revenue budget				
	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**

Where reserves were used to support the Council's overall budget position or corporate expenditure such as levies, these were shown gross as part of the Resources required. The use of these reserves totalled £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).

No new Airport Dividend from the Manchester Airport Group was being budgeted for in 2022/23. The reserve balance from previous years receipts was £44m at the start of 2021/22 and it was proposed that this was used over five years, to partly mitigate the loss of dividend income.

The proposals for the Directorates' cash limit budgets were detailed in the Directorate Budgets 2022/23 reports that were also being considered at the meeting (Minute Exe/22/19 to 22/23 below). The overall position was:

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**

The budget assumptions that underpinned 2022/23 to 2024/25 included 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 contributed to the scale of the budget gap it was important that a realistic budget is budget set which reflects ongoing cost and demand pressures.

Although a balanced budget could be delivered for 2022/23, the future financial position remained challenging, and the resilience of the Council had been reduced by the need to use its reserves to support the budget position. The focus going forward would be on identifying savings and mitigations to keep the Council on a sustainable financial footing. It was proposed that budget cuts and savings of £60m over the next three years would developed for member consideration and £30m of risk-based reserves had been identified as available to manage risk and timing differences.

Decisions

The Executive:-

(1) 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;

(2) Note the anticipated financial position for the Council for the period of 2022/23 which is based on all proposals being agreed;

(3) 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;

(4) Note that the Capital Strategy and Budget 2022/23 to 2024/25 have been presented alongside this report (Minute Exe/22/25 below)

(5) Note the Deputy Chief Executive and City Treasurer's review of the robustness of the estimates and the adequacy of the reserves.

(6) Recommend to Council to approve, as elements of the budget for 2022/23:
- 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%;
- the contingency sum of £1.060m;
- 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;
- 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 Leader;
- 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; and
- the planned use of, and movement in, reserves after any changes are required to account for final levies etc.

(7) Approve the gross and net Directorate cash limits;

(8) 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;

(9) Delegate authority to the Deputy Chief Executive and City Treasurer and Chief Executive in consultation with 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;

(10) 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 regulations;

(11) Recommend that Council approve and adopt the budget for 2022/23.

Exe/22/19 Children and Education Services Budget 2022/23

The report of the Strategic Director for Children's and Education Services explained how the budget proposals for the Directorate had been developed.

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 for the Children and Education Services directorate were agreed, and had mostly been achieved.

Appended to the report were details of the initial revenue budget changes proposed by officers and the planned capital budget and pipeline priorities as well as information on the 2022/23 Dedicated Schools Grant.

The net impact of the changes had resulted in proposed budget increases of £10.319m in 2022/23, a further £3.666m in 2023/24 and additional £2.319m 2024/25. It was also proposed to invest a further £500k into youth provision. The planned use of this funding would 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

It was noted that the report had also been considered at a recent meeting of the Children and Young People Scrutiny Committee where the committee had endorsed the budget proposals (Minute CYP/22/07)

Decision

The Executive approve the Directorate budget proposals as set out in the report.

Exe/22/20 Health and Social Care - Adult Social Care and Population Health Budget 2022/23

The report of the Executive Director for Adult Social Services and Director of Public Health explained how the budget proposals for the Directorate had been developed.

The report examined the elements of the Council's own budgets that were within and outside of the pooled budget arrangements for the MLCO. The key changes and pressures that had been addressed in 2022/23 were set out, as were the savings proposals where such had been possible:-

It was reported that 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 would generate 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, meant that this increased the amount attributable to the ASC precept to a total increase of £3.259m; and
- The additional £1.6bn of national funding included £8.047m for social care and the costs for the 1.25% national insurance increase

In addition, direct funding of £2.7m had been received and would be passed on directly to the Adults Social Care budget as follows:-

- £0.9m for inflation on the Better Care fund; and
- £1.8m via the 'social care levy' to fund the fair cost of care and associated preparatory work

Once the one off capacity funding of £2.690m from 2021/22 was removed, there would be a net increase in external funding of £11.438m.

In addition there was 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.

It was reported that £10.656m of investment had also been identified to cover the inflation and pay award costs of £5.516m and £5.5m of system support towards the Better Outcomes Better Lives (BOBL) programme, which was partially offset by the removal of the one off capacity funding of £2.690m, which had been removed from the 2022/23 budget. This brought the total additional investment into the aligned budget to £21.095m, before the BOBL and vacancy factor savings of £9.386m were removed, giving a net increase to the Adults and Social Care budgets of £11.709m.

It was noted that the budget report had also been considered at a recent meeting of the Health Scrutiny Committee and the committee had endorsed the proposals in the report (Minute HSC/22/09).

Decisions

The Executive:-

(1) Approve the Directorate budget proposals as set out in the report.

(2) 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

Exe/22/21 Neighbourhoods Directorate Budget 2022/23

The report of the Strategic Director (Neighbourhoods) explained how the budget proposals for the Directorate had been developed.

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 £6.683m had been identified for 2021/22 within the Neighbourhoods Directorate and most of these were on track to be achieved. A further £493k savings had been profiled for 2022/23.

Appended to the report were details of the initial revenue budget changes proposed by officers and the planned capital budget and pipeline priorities.

In addition, and 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. Whilst the £7m had been utilised, this had been in response to the pandemic and action taken in 2021/22. It was expected that the changes to the service and additional government grant funding around the rough sleeper initiative (yet to be allocated to Councils) would mean that the budget would be sufficient for 2022/23, and that demand reductions and therefore budget reductions would be possible in future years.

It was therefore not expected that the further planned £1.7m per annum increase that was originally budgeted for 2022/23 would be required and this had 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 was proposed.

The Directorate Budget had also been considered at a recent meeting of the Communities and Equalities Scrutiny Committee (Minute CESC/22/09), and also at a meeting of the Environment and Climate Change Scrutiny Committee (Minute ECCSC/22/07).

The Executive noted that at the Environment and Climate Change Scrutiny Committee, the following amendment had been proposed:-

- That a Capital Budget of £1m be established for the Executive Member for Environment, with this budget specifically used to support work and initiatives to tackle air pollution across the city. This budget could be funded by levying a Section 106 charge of £1000 for all new build homes for sale in Manchester (excluding social housing and a reduced charge for affordable housing).

It was also noted that the Committee had recommended that funding be provided to permanently fund the Climate Change Officer posts.

Decisions

The Executive:-

(1) Approve the Directorate budget proposals as set out in the report.

(2) Recommend Council agree that funding be provided to permanently fund the Climate Change Officer posts.

(3) Supports the intention of the proposed amendment and requests that Officers set out within the report for Resources and Governance Budget Scrutiny how part of the £192m directed towards tackling climate change is proposed to be spent on improving air quality.

Exe/22/22 Growth and Development Directorate Budget 2022/23

The report of the Strategic Director (Growth and Development) explained how the budget proposals for the Directorate had been developed.

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 £1.408m related to the Growth and Development Directorate had been identified and of these £1.108m were on track to be achieved. The only exception was the £393k savings from holding/deleting Planning and Building control vacancies.

It was explained that whilst the service redesign was expected to be completed in the first quarter of 2022, it would take time to implement the changes and recruit to all the posts. To allow for service delivery, and succession planning it was necessary to amend the structure and invest in some areas, therefore it was anticipated that ongoing savings of c£150k would be realised from reduced staffing costs across planning and building control. This would require alternative savings of £243k to be identified and delivered in 2022/23. To allow the Strategic Director time to review service options it was planned that the ongoing savings requirement of £243k would be managed through a combination of staff savings from vacant posts while posts were recruited to and income in 2022/23 whilst longer term ongoing options were developed.

Appended to the report were details of the initial revenue budget changes proposed by officers, the impact of which would result in a proposed net budget for 2022/23 of (£9.752m), and the planned capital budget and pipeline priorities.

It was noted that the report had also been considered at a recent meeting of the Economy Scrutiny Committee where the committee had endorsed the budget proposals (Minute ESC/22/06)

Decision

The Executive approve the budget proposals as detailed in the report.

Exe/22/23 Corporate Core Budget 2022/23

The report of the Deputy Chief Executive and City Treasurer and City Solicitor explained how the budget proposals for the Directorate had been developed.

The 2021/22 budget process saw the Council develop savings and efficiency plans of over £48m over the three years to 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.

In addition to the £1.153m already approved savings, the report detailed further proposed changes to the 2022/23 budget, which resulted in a total saving for the Corporate Core of £1.636m.

In addition to the Corporate Core, the report provided details of budget proposals in regards to both Operational Property and Facilities Management Service that transferred in from the Growth and Development Directorate during 2021/22.. As part of the £48m savings over the three years 2021/22 - 2023/24, £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 had been adverse implications from COVID, and the following savings have not been achieved in 2021/22: -

- £4.1m income form car parks due to ongoing restrictions and reduced numbers of individuals working in the City Centre; and
- £225k advertising income from the proposed screen in Piccadilly Garden.

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.

It was also reported that to support the opening of The Factory the following agreements are being put in place between the operator, MIF, and the Council

- a 10 year funding agreement which started in 2020/21 for £1.5m per annum incorporating the funding support that was previously provided to MIF;
- a grant agreement, to be met from the Council's existing MIF reserve (and reimbursed when fund raising was received) to assist the Factory Trust with its fundraising costs; and
- the establishment of a sinking fund with each partner making an annual contribution of £252k per annum in relation to the lease, with the Council acting as corporate landlord

It was noted that the report had also been considered at a recent meeting of the Resources and Governance Scrutiny Committee where the committee had endorsed the budget proposals (Minute RGSC/22/08)

Decisions

The Executive:-

(1) Approve the budget proposals as detailed in the report.

(2) Note the development of the funding agreement between the Council and MIF as set out in Appendix 1.

(3) 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.

(4) Approve lease arrangements to the MIF with delegation to finalise the details to the Deputy Chief Executive and City Treasurer and City Solicitor.

(5) Agree to continue the support to families to provide free school meals for the 2022 Easter Holiday at £15 per pupil per week. funded in line with the arrangements set out in Appendix 1 of the report.

(6) Note the Chancellors announcement on the proposal for a £150 council tax rebate for all band A-D properties.

(7) Delegate to the Deputy Chief Executive and City Treasurer in consultation with the Leader of the Council the finalising the detail of the administration of the council tax 'rebate' £150 payment.

(8) Delegate to the Deputy Chief Executive and City Treasurer in consultation with the Leader of the Council responsibility for designing and implementing the discretionary support scheme.

Exe/22/24 Housing Revenue Account 2022/23 to 2024/25

A joint report by the Strategic Director (Growth and Development), the Strategic Director (Neighbourhoods) and the Deputy Chief Executive and City Treasurer presented the proposed budget for the Housing Revenue Account (HRA) for 2022/23 and indicative budgets for 2023/24 and 2024/25.

The report set out the requirements placed on the Council with respect to the HRA budget:-

- The Council had to formulate proposals or income and expenditure for the financial year which sought to ensure that the HRA would not show a deficit balance;
- To keep a HRA in accordance with proper practice to ensure that the HRA is in balance taking one year with another; and

- The HRA must, in general, balance on a year-to-year basis so that the costs of running the Housing Service must be met from HRA income.

The HRA Budget Position for 2021/22, which as of December 2021, was forecasting that net expenditure would be £11.621m lower than budget, inked to delays in capital projects. Although the expenditure was lower than originally forecast, it was still more than the annual income and the forecast in-year deficit of £5.073m would be drawn down from the HRA reserve. The main reasons for in year changes were detailed in the report.

Government guidance allowed 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 was based on the September figure in the preceding year, and as at September 2021 CPI was 3.1% and therefore this report sought approval to increase tenants' rents for all properties by 4.1% from April 2021.

In light of the current economic climate and the potential impact the proposed 4.1% rent increase might have on the most vulnerable tenants it was proposed that £200k was 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. In addition to the hardship fund it was also noted that the proposed 4.1% rent increase would 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.

In order to ensure that the increase applied to garage rents remained in line with that applied to dwelling rents, it was proposed that 2022/23 garage rents be increased by 4.5%, which would see an increase in the rental of between 7p and 21p per week.

The report also explained the other key changes in the HRA budget for 2022/23, and the full budget was presented as set out below.-

	2021/22 (Forecast)	**2022/23**	**2023/24**	**2024/25**
	£000	£000	£000	£000
Income				
Housing Rents	(61,646)	(63,713)	(65,807)	(67,120)
Heating Income	(533)	(681)	(771)	(861)
PFI Credit	(23,374)	(23,374)	(23,374)	(23,374)
Other Income	(932)	(975)	(958)	(952)
Funding from General HRA Reserve	(5,073)	(12,576)	(7,703)	(12,856)
Total Income	**(91,558)**	**(101,319)**	**(98,612)**	**(105,163)**
Expenditure				
Operational Housing Management	14,327	12,845	11,817	11,938
Operational Housing - R&M	12,035	11,193	11,417	11,645

PFI Contractor Payments	30,980	32,573	34,410	34,326
Communal Heating	533	1,019	1,044	1,065
Supervision and Management	5,296	5,229	5,208	5,277
Contribution to Bad Debts	400	640	661	674
Hardship Fund	0	200	0	0
Depreciation	18,435	18,991	19,359	19,567
Other Expenditure	1,302	1,391	1,416	1,439
RCCO	5,487	14,508	10,577	16,537
Interest Payable and similar charges	2,763	2,730	2,702	2,695
Total Expenditure	**91,558**	**101,319**	**98,611**	**105,163**
Total Reserves (exc.Insurance):				
Opening Balance	**(115,118)**	**(110,045)**	**(97,469)**	**(89,766)**
Funding (from)/to Revenue	5,073	12,576	7,703	12,856
Closing Balance	**(110,045)**	**(97,469)**	**(89,766)**	**(76,910)**

It was noted that the proposed HRA budget 2023/24 and indication of the 2023/24 and 2024/25 budgets had also been considered by the Resources and Governance Scrutiny Committee at its February 2022 meeting where the committee had noted the proposals in the report (Minute RGSC/22/95).

Decisions

The Executive:-

(1) Note the forecast 2021/22 HRA outturn as set out in the report.

(2) Approve the 2022/23 HRA budget as set out above and note the indicative budgets for 2023/24 and 2024/25.

(3) Approve the proposed 4.1% increase to dwelling rents and garage 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.

(4) 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.

Exe/22/25 Capital Strategy and Budget 2022/23 to 2024/25

The Executive considered a report of the Deputy Chief Executive and City Treasurer, which presented the capital budget proposals before their submission to the Council.

The Capital Strategy had been developed to ensure that the Council could 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.

The capital programme 2021/22 to 2025/26 comprised the continuation of the existing programme. For continuing schemes, the position was based on that set out in the report on Capital Programme Monitoring 2020/21, also being considered at this meeting (Minute Exe/22/16 above).

Details on the projects within the programme were set out in the report and the full list of the proposed projects was appended to the report.

If agreed, then the proposals contained in the report would create a capital programme of £329m in 2021/22, £533.1.8m in 2022/23, £135.1 in 2023/24 and £36.3m in 2024/25, summarised as follows:-

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***

The proposed funding for the programme in 2022/23 was:-

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**

Based on the current forecasts for expenditure, prudential borrowing of up to £538.9m over the period would be needed to support the Council's programme in line with the new schemes and previous planning and profile approval. A number of these schemes would be on an invest to save basis and would generate revenue savings.

The proposed funding for the programme across the forecast period was as follows:-

	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**

The proposed capital programme described within the report was affordable within the existing revenue budget based on the estimated capital financing costs associated with delivering the programme.

There were risks associated with the delivery of the capital strategy, specifically regarding delays to the programme or treasury management risks. Measures were in place to mitigate these risks through both the Strategic Capital Board and the treasury management strategy. Reports would 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.

Decisions

The Executive:-

(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 Leader 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.

Exe/22/26 Treasury Management Strategy Statement 2022/23, including Borrowing Limits and Annual Investment Strategy

The Executive considered a report of the Deputy Chief Executive and City Treasurer, which set out the proposed Treasury Management Strategy Statement and Borrowing Limits for 2022/23 and Prudential Indicators for 2022/23 to 2024/25.

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

The suggested strategy for 2022/23 was based upon the treasury officers' views on interest rates, supplemented with The forecasts provided by the Council's treasury advisor, Link Asset Services. The strategy covered:-

- Prudential and Treasury Indicators for 2022/23 to 2024/25;
- Impact of 2012 HRA reform;
- Current Portfolio Position;
- Prospects for Interest Rates;
- Borrowing Requirement;
- Borrowing Strategy; and
- Annual Investment Strategy.

The Executive noted the proposed Annual Investment and Borrowing Strategies set out in the report, and agreed to commend them to the Council.

Decisions

The Executive:-

(1) Recommends the report to Council.

(2) Delegates authority to the Deputy Chief Executive and City Treasurer, in consultation with the Member of the 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.

Resources and Governance Scrutiny Committee

Minutes of the meeting held on Monday, 28 February 2022

Present:
Councillor Russell (Chair) – in the Chair
Councillors Ahmed Ali, Andrews, Hitchen, Lanchbury, B Priest, Robinson, Simcock, Wheeler and Wright

Also present:
Councillor Craig, Leader
Councillor Rahman OBE, Deputy Leader
Councillor Midgley, Deputy Leader (Adult Care and Health)
Councillor Akbar, Executive Member for Neighbourhoods
Councillor Rawlins, Executive Member for Environment
Councillor White, Executive Member for Housing and Employment
Councillor Butt, Assistant Executive Member for Youth Safety
Councillor Leech, Leader of the Opposition
Councillor Good, Deputy Leader of the Opposition
Councillor H Priest, Chair of Economy Scrutiny Committee
Councillor Reid, Chair of Children and Young Peoples Scrutiny Committee
Councillor M Dar, Ward Councillor Ancoats and Beswick

RGSC/21/15 The Council's Budget 2022/23

Further to minute RGSC/22/08, the Committee considered a report of the Chief Executive and the Deputy Chief Executive and City Treasurer which provided an update on the Council's financial position following scrutiny of the draft budget proposals and Directorate budget plans by all Scrutiny Committees.

The Committee received a statement from the Leader on the Executive's budget proposals and the key issues underlying the budget process. In doing so, she outlined the context of the proposed budget, in particular, she referred to the impact of budget reductions and austerity over the last 10 years which had led to £420m having been removed from the Council's budget, resulting in a 15% reduction in spending power compared to a national average of 2.4% and commented that if Manchester had had the national average applied to its budget, it would have a further £85m in its budget today.

In addition, the Leader acknowledged the impact and legacy of Covid, which was evident within the budget proposals, not just in terms of the financial impact on revenue and income, but also the impact on residents and communities. It was also recognised that Manchester had been let down by Government in meeting the financial demands brought about by Covid. The Leader also criticised the Government's approach for using council tax increases to supplement and underwrite the income for Councils, as this was considered a regressive tax that impacted more heavily on Manchester residents compared to those who were more affluent, and was not a sustainable or fair long term approach to funding local government. The Leader also commented that she would continue to call on Government for a fair and sustainable settlement that gave economic certainty beyond just a one year funding settlement.

The Leader concluded that the proposed budget was one that had been developed from listening to Manchester residents, investing in their priorities, ranging from basic services, street cleaning, youth provision, support for those in need and most vulnerable to those living in poverty and investing in local communities and neighbourhoods, ensuring that every pound spent was for the betterment of Manchester residents.

Each Executive Member then summarised key points within the Directorate budget proposals.

The Chair then invited the Chair of Economy Scrutiny and the Chair of Children and Young People Scrutiny Committee to highlight issues arising from individual Directorate Budget Plans. In doing so the Chair of Economy Scrutiny highlighted the discussion held at Economy Scrutiny around the long-term vacancies within the Planning and Building Control department and had received assurance that through the forthcoming service redesign, additional resource would be added to the service to ensure it operated effectively. The Chair of Children and Young People's Scrutiny Committee commented that despite a 28% increase in the city's child population over the last 10 years, the number of Looked After Children had not increased at the same rate and this had been due to careful planning, centred around invest to save initiatives. She also added that concern had been raised in relation to the percentage of children with special educational needs and the strain this was placing on the high needs block without appropriate funding from Government.

The Committee then received a statement from the Executive Member for Housing and Employment regarding the Housing Revenue Account calculations for 2022/23 to 2024/2 and its use. He advised of the challenges the Council faced in delivering its housing ambition that had arisen from the imposition of a 1% annual rent cut for four years from 1 April 2016 and the impact of this on the financial viability of the Housing Revenue Account and the amount of resources to invest in improving existing stock, which had resulted in a proposed 4.1% increase in rents for this year. He referred to the progress that had been made in bringing Northwards Hosing back into the control of the Council and the savings to be realised from this. He also referred to the proposals to improve the fire safety of Council high rise housing stock, the retrofitting the Council's existing housing stock as part of the Council's commitment to reduce its carbon emissions and the delivery of further social and affordable homes.

The Chair then invited questions from the Committee on the minutes of the proceedings of the Executive that related to the budget. The following questions and salient points were asked:-

- It should be recognised that the Council, in its budget proposals, had found the ability to alleviate some of the difficulties faced by Manchester residents, citing the hardship fund for the HRA, the Council Tax Support Scheme and the discretionary support scheme within Revenue and Benefits department;
- What progress had been made with the pay award for staff;

- In welcoming the proposed £700k Local Improvement Fund split across all wards, what work would be done with partners to try and ensure match funding for further investment in each ward;
- On a broader level, it was suggested that the Council considered the deprivation index and how this impacted on communities in relation to the governments promise of levelling up

The Deputy Chief Executive advised that the pay award for the Chief Executive and Chief Officer had been agreed but for the majority of staff this was still under final negotiation.

The Leader commented that the Local improvement Fund in many ways was a statement of intent and it was hoped that over the next 12 months, options around match funding and how this funding could be expanded would be investigated

The Chair then invited questions from the Committee on the minutes of the Scrutiny Committee proceedings that related to the budget, the Budget Public Consultation report and the Budget 2022/23 Equality Impact Assessment report.

A question was received and related to the possible need to look at how the Council engaged with ethnic communities given their low response rate to the budget consultation.

The Leader advised that this years' consultation was light touch given there were no significant savings to be made but for future years given there was considerable potential savings to be found, the Council would ensure it reached people in Black, Asian and Minority Ethnic communities in a proactive way as part of its future consultation on the Council's budget.

The Chair next invited Councillor M Dar to present his budget amendment. In doing so he proposed the following:-

- Across Ancoats and Beswick residents raise the problem of commuter and visitor parking on a regular basis. In Beswick following the Eastlands development, Labour Councillors secured first the Etihad Parking Scheme and now the wider Eastlands Parking scheme and we will continue to ensure this is extended effectively.
- As Councillors we are proud of Ancoats and New Islington and the vibrant new communities that have been created, but too often residents are blighted by commuter parking. For example, I have spoken to many residents on roads such as Weybridge Road, Chippenham Road, Woodward Street and the surrounding area have raised regular problems.
- The City Council should bring forward a local parking scheme in Ancoats that benefits residents and is funded from the proceeds of development in the area and complements the residents parking scheme in other parts of the ward and that work begins to bring forward a formal consultation with residents early in the new financial year.

In outlining the amendment, Councillor Dar clarified that the proposed amendment had been fully costed and confirmed upfront costs and ongoing revenue would be met through external revenue funding

The Chair then invited the Leader to comment on the proposed amendment from Councillor Dar.

The Leader clarified that she had received assurance that the funding for this amendment would not require any Council revenue subsidy and was satisfied the amendment was in line with Council policy and as such would be comfortable in accepting this amendment as part of the budget proposals.

The Chair next invited Councillor Good (Deputy Leader of the Opposition) to present his budget amendment on behalf of the Opposition Group. In doing so he proposed the following:-

- To allocate a budget of £1m to enable the Council to deliver additional local road safety and traffic calming schemes in areas of need; to be funded through a transfer from the Bus Lane Enforcement Reserve.
- To allocate a budget of £960,000 to enable the Council to continue the Parks in Partnership funding of £30,000 to each of the 32 wards of the city, for a further year, to be funded out of the On-street Parking Reserve.
- To allocate an additional £1m to the budget to improve basic services and street cleaning, to bring it in line with the Council's proposed budget for 2023/24 and 2024/25, to be funded from the increase to the Business Rates Reserve.
- All proposals in this amendment are one off spending commitments for 2022/2023.

The Chair again invited the Leader to comment on the proposed amendment.

The Leader commented that money that sat within the Council’s reserves was already attributed to elsewhere and the Council did not have spare money that was not being used. She highlighted that within the Highways capital programme, £3.1m was to be allocated to accident reduction and local safety schemes in addition to £2m carried forward from 2021/2. Similarly, there was proposed investment of £3.6m investment in the Parks Development Fund, which would be in addition to the previously agreed £12m Parks funding. In regards to basic services, £700k would be invested in cleaner streets and a further £700k would be invested in the Local Improvement Fund. The Leader referenced the findings of the recent LGA Peer Review that looked at the Council’s Medium Financial Strategy and how the Council prudently managed its funding, by ensuring it had the level of reserves it needed to give certainty for future years and resisting the temptation for one off funding through the use of reserves, particularly when the Council was facing funding shortfalls of £36m and £57m in 2023/24and 2024/25.

The Chair sought confirmation as to whether the Opposition Group had considered how the use of Council reserves was used to support its capital strategy to prevent the need for external borrowing, and if so, had they sought the views of the Deputy Chief Executive and City Treasurer as to whether their proposed amendment would have any implications on the funding for the Council's capital strategy or potentially lead to increased borrowing requirements in the future.

The Deputy Leader of the Opposition replied that they had.

The Deputy Chief Executive and City Treasurer confirmed that the detail of the costing of Councillor Dar's amendment would be provided for consideration by Full Council on 4 March 2022 and confirmed that the Council had earmarked the proceeds from the developments around the Ancoats area for the residents parking scheme and capital ongoing revenue costs. Given the interaction of the schemes in the surrounding area, it had been prudently costed up to a £4m contribution to deliver this scheme. In terms of use of reserves, The Deputy Chief Executive and City Treasurer commented that on a one-off basis, the use of reserves was sustainable in the short term but needed to be considered in the longer-term budget position.

The Chair commented that if the Council had spent its reserves at the levels contained within proposals put forward by the Liberal Democrats in previous years, the Council would not have been in the relatively stable financial position it was, when compared to some other local authorities, when the financial impact of the Covid pandemic hit and it had been only through the ability of using smoothing reserves that the Council been able to continue to balance its budget. She added and given the anticipated shortfall in the Council's budget and the looming impact of the Fairer Funding Review, it would not be prudent to depart from the way the Council planned to use its reserves.

Decisions

The Committee:-

(1) Endorses the budget proposals as presented for approval by Full Council at its meeting on 4 March 2022.
(2) Recommends that Council agrees the amendment submitted by Councillor M Dar.
(3) Recommends that Council does not agree to the amendment proposed by Councillor Good.

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Manchester City Council
Report for Resolution

Report to:	Executive – 17 February 2021 Resources and Governance Scrutiny Committee – 1 March 2021 Council – 4 March 2021
Subject:	Capital Strategy and Budget 2020/21 to 2024/25
Report of:	The Chief Executive and Deputy Chief Executive and City Treasurer

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:

- <u>ICT: Platform Compliance 2.</u> 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.

- <u>ICT: Corporate Recruitment Solution.</u> 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.

- <u>Highways: HS2 Highways Support.</u> 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:

- <u>Highways – Investment Plan additional year.</u> 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.

- <u>Growth – Asset Management Plan additional year</u>. 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.

- <u>Growth – Strategic Acquisitions additional year.</u> 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.

- <u>Public Sector Housing: Sprinkler Systems – Tower Blocks PFIs.</u> 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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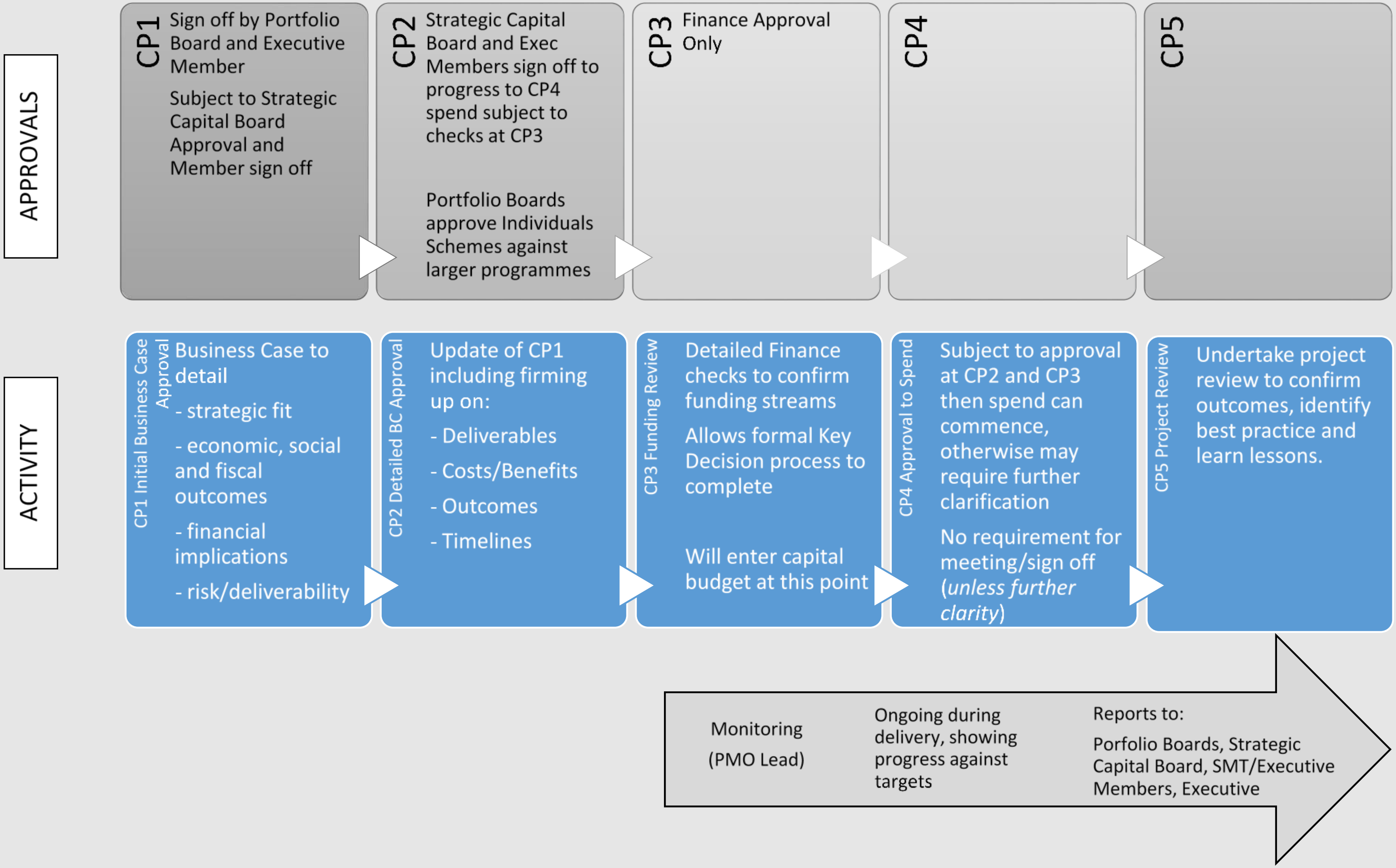
Capital Approval Process and Governance

Appendix 1



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	
Riverdale Estate Ext Work	-39	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]

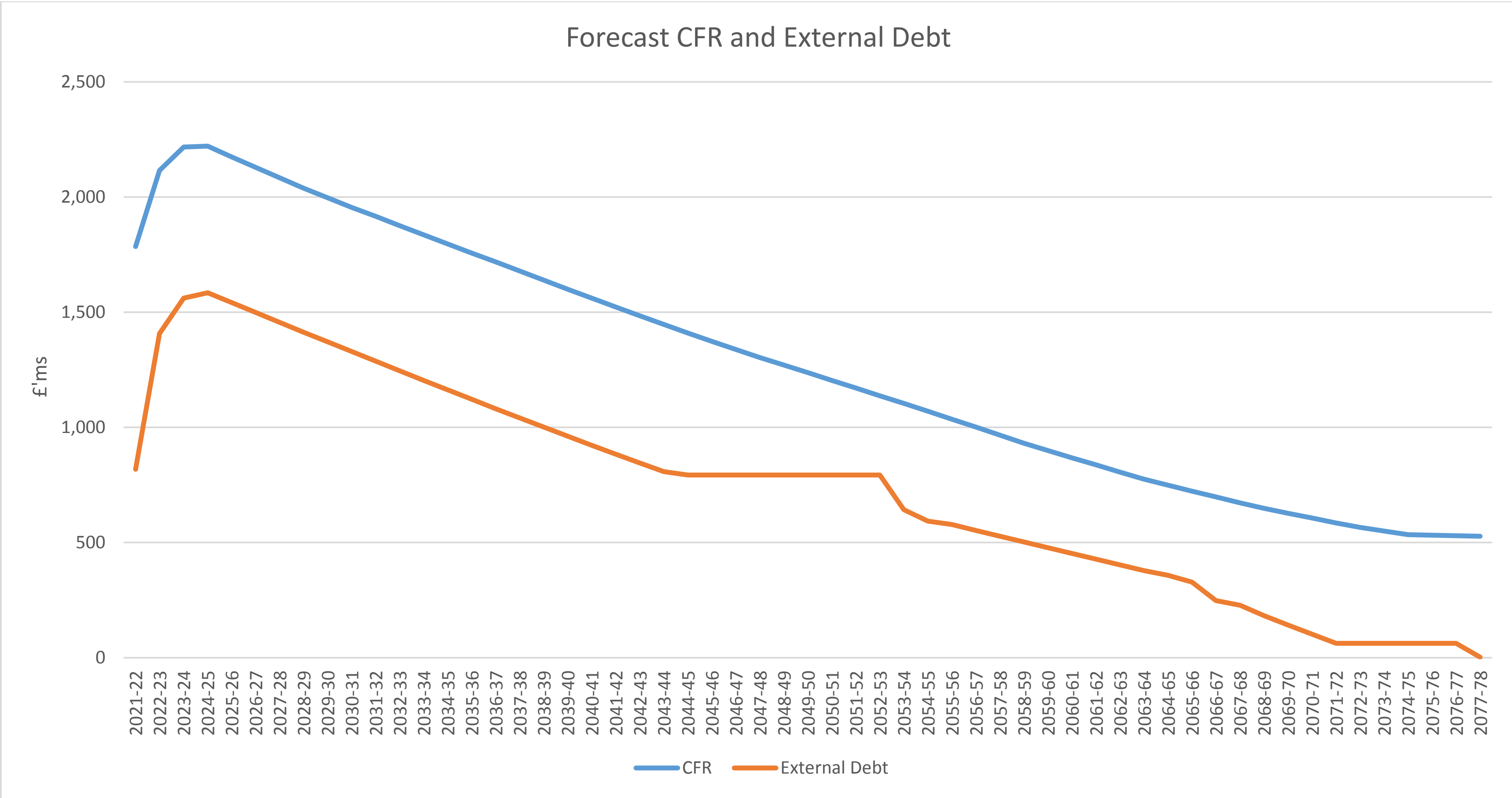
Project Name	2021/22 Forecast	2022/23 Forecast	2023/24 Forecast	2024/05 Forecast
	£'000			
Total Public Sector Housing (HRA) Programme	**24,731**	**39,369**	**31,932**	**14,559**
Children's Services Programme				
Basic Need Programme				
Brookside Rd Moston	3,812	42	0	0
North Hulme Adv Playground	2,648	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



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

Section 10:	Annual Investment Strategy
Section 11:	Scheme of Delegation
Section 12:	Role of the Section 151 Officer
Section 13:	Minimum Revenue Provision (MRP) Strategy
Section 14:	Recommendations
Appendix A:	Prudential and Treasury Indicators for approval
Appendix B:	MRP Strategy
Appendix C:	Treasury Management Policy Statement
Appendix D:	Treasury Management Scheme of Delegation
Appendix E:	The Treasury Management Role of the Section 151 Officer
Appendix F:	Economic Background – Link Asset Services
Appendix G:	Prospects for Interest Rates
Appendix H:	Glossary of Terms
Appendix I:	Treasury Management Implications of HRA Reform

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.

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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Appendix I – Treasury Management Implications of HRA Reform

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

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

The Portfolio Split

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

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

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

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

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

CFRs	Pre reform		Post reform	% of total
	£'000		*£'000*	
General Fund	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.

Manchester City Council
Report for Information

Report to:	Resource and Governance Scrutiny Committee (Budget) - 28 February 2022 Budget Council – 4 March 2022
Subject:	Budget consultation results 2022/23
Report of:	Deputy Chief Executive and City Treasurer and Head of Strategic Communications

Summary

This report provides a summary of the results of phase two of the budget consultation on the savings options for the financial year 2022/23, as well as a summary of the responses received.

Recommendations

To note the report.

Wards Affected: All

Environmental Impact Assessment - the impact of the issues addressed in this report on achieving the zero-carbon target for the city
The budget supports all 9 corporate priorities including the zero-carbon target for the city.

Our Manchester Strategy outcomes	Summary of how this report aligns to the OMS
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	The Council's budget, including the monies generated by Council tax, supports the delivery of the Our Manchester Strategy outcomes and all of Our Corporate Priorities.
A highly skilled city: world class and home-grown talent sustaining the city's economic success	
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	
A liveable and low carbon city: a destination of choice to live, visit, work	

A connected city: world class infrastructure and connectivity to drive growth	

Contact Officers:

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Name: Carol Culley OBE
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Background documents (available for public inspection):

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

Online budget consultation (consultation now closed)
https://www.manchester.gov.uk/budget

1.0 Introduction

1.1 The Council consulted with residents on the proposed savings options for the 2022/2023 financial year for a four-week period from 11 January 2022 to 8 February 2022.

1.2 As the budget for 2022/23 is a one-year forward planning budget, and there have been no statutory consultations around individual options identified, a full 12-week budget consultation was not required.

1.3 This report provides the full results of the consultation and a summary of coded free text responses and comments.

2.0 Budget consultation

2.1 A standard budget consultation on Council tax increases was conducted seeking feedback from residents and businesses on:

- Proposed Council tax increases
- Proposed Adult Social Care (ASC) precept
- The nine Council priorities
- General feedback and suggestions on the budget

2.2 The Government's Spending Review allowed Councils to increase Council tax by up to 1.99 per cent plus an additional 1 per cent precept to help meet ASC costs.

2.3 The consultation asked residents for their comments on the potential increases, which together would be a 2.99 per cent increase to help protect services from further cuts and especially, to support adult social care for those most in need.

2.4 Residents were also asked for their views on the nine Council priorities and for general suggestions and comments on the budget via supplementary open text boxes.

3.0 Channels and engagement

3.1 Communications channels comprised an online questionnaire supported by web content, e-bulletins and a social media campaign across a range of platforms using a mix of organic, boosted and paid-for posts, supported by engaging digital content.

3.2 Paper copies of the questionnaire would usually be printed and distributed via our network of libraries however, COVID-19 presented a number of issues which made this challenging for 2022:

- Hygiene – printed literature is avoided to limit the spread of COVID-19

- COVID-19 restrictions – Government guidelines during the majority of the consultation period mean that many of our residents were working from home and visiting the city centre, local centres and libraries less frequently
- The Government's December and January work from home directive meant that staff were not in the Town Hall Extension to receive and input any returned consultation forms.

3.3 As a result, paper copies were not printed for the 2022 budget consultation and instead, residents were signposted to the library digital support text service for help getting online, getting access to a computer at a library or to fill in the consultation survey over the phone.

3.4 Activity was supported by proactive media releases and reactive media statements and inclusion in the Council's various e-bulletins and via internal staff channels.

3.5 Two standalone budget e-bulletins were issued during the consultation period. These performed highly, reaching an average of 25,500 recipients each time and resulting in 20,895 combined opens and 2,167 click throughs to the budget consultation web pages. A message was also included in the monthly resident news bulletin, resulting in 120 click throughs.

3.6 Responses have been gathered via an online questionnaire on the Council's website. Approximately 3,500 unique visitors were driven to the budget pages on the website. A complete figure cannot be given as visitors to the website can decline the cookies, which means that we can no longer track all visitors to the website. The majority of those that accepted the cookies were signposted to the consultation as a result of receiving a standalone Council budget e-bulletin and messages posted on the Council's Facebook page.

3.7 The consultation was promoted widely on Council social media channels including Facebook, Twitter and LinkedIn signposting people to the online survey.

3.8 Across social media channels 13 budget messages were posted organically resulting in 56,740 impressions. Activity resulted in 512 click throughs to the consultation pages, 69 retweets/shares and 63 likes and 26 comments.

3.9 Paid digital posts were used to target Manchester residents resulting in 62,085 impressions, 626 click throughs to the consultation web pages, 23 likes, 46 comments and 6 shares.

3.10 A total of 1,680 people completed the consultation survey.

3.11 A further 320 people partially completed the survey, without answering all questions or submitting their response. Participation is generally higher when consultation surveys comprise multiple choice/tick box questions. Those that comprise free text boxes require more thought and consideration and generally see higher levels of drop off and partial completion, but do result in a greater quality of result.

4.0 Consultation questionnaire

4.1 The consultation questionnaire comprised three closed questions to understand levels of agreement/disagreement, questions one and three with supplementary open text boxes in which residents could express their views freely. Question two asked respondents to tick the Council priorities that were important to them.

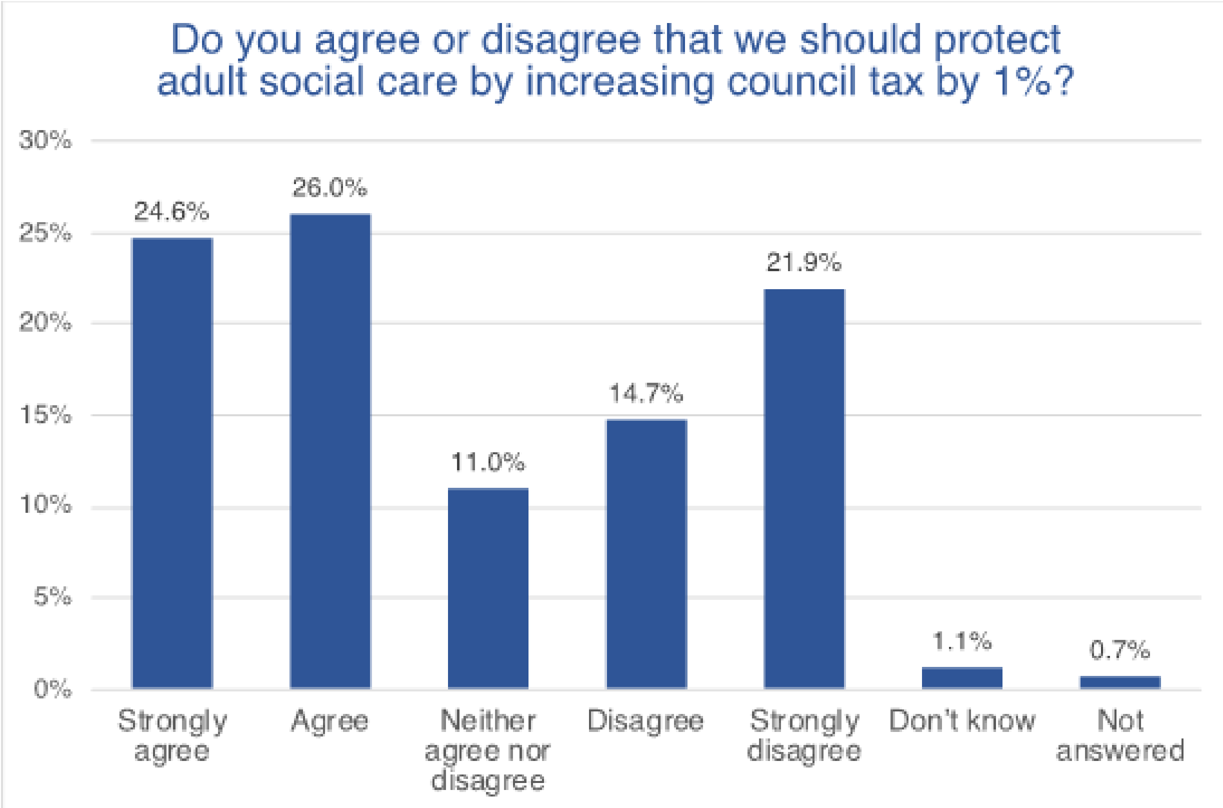
- Question 1a. Do you agree or disagree that we should protect adult social care by increasing Council tax by 1%?
- Question 1b. Please share any comments on alternatives or the impacts of the 1% increase you think we should consider.
- Question 2a. When we asked Manchester people what matters most to them, we listened, and we 've used their priorities to help set our budget. Do you agree or disagree that we should continue to protect and invest in the priority services that residents told us matter most?
- Question 2b. Please tick the priorities that are important to you
- Question 2c. Do you agree or disagree that we should increase Council tax by a further 1.99% to enable us to deliver the priorities that residents told us matter most?
- Question 3. Please share any comments on alternatives or the impacts of the 1.99% increase you think we should consider.

5.0 Consultation questionnaire analysis

5.1 Question 1a. Do you agree or disagree that we should protect adult social care by increasing Council tax by 1%?

5.2 In question 1a, members of the public were asked in a closed question whether they ‘agree or disagree’ that we should protect adult social care by increasing Council tax by 1%. 51% agreed or strongly agreed that adult social care should be protected by increasing council tax by 1%. This compares to 37% of respondents who disagreed or strongly disagreed with the suggestion. Finally, 12% were undecided or said they didn’t know.

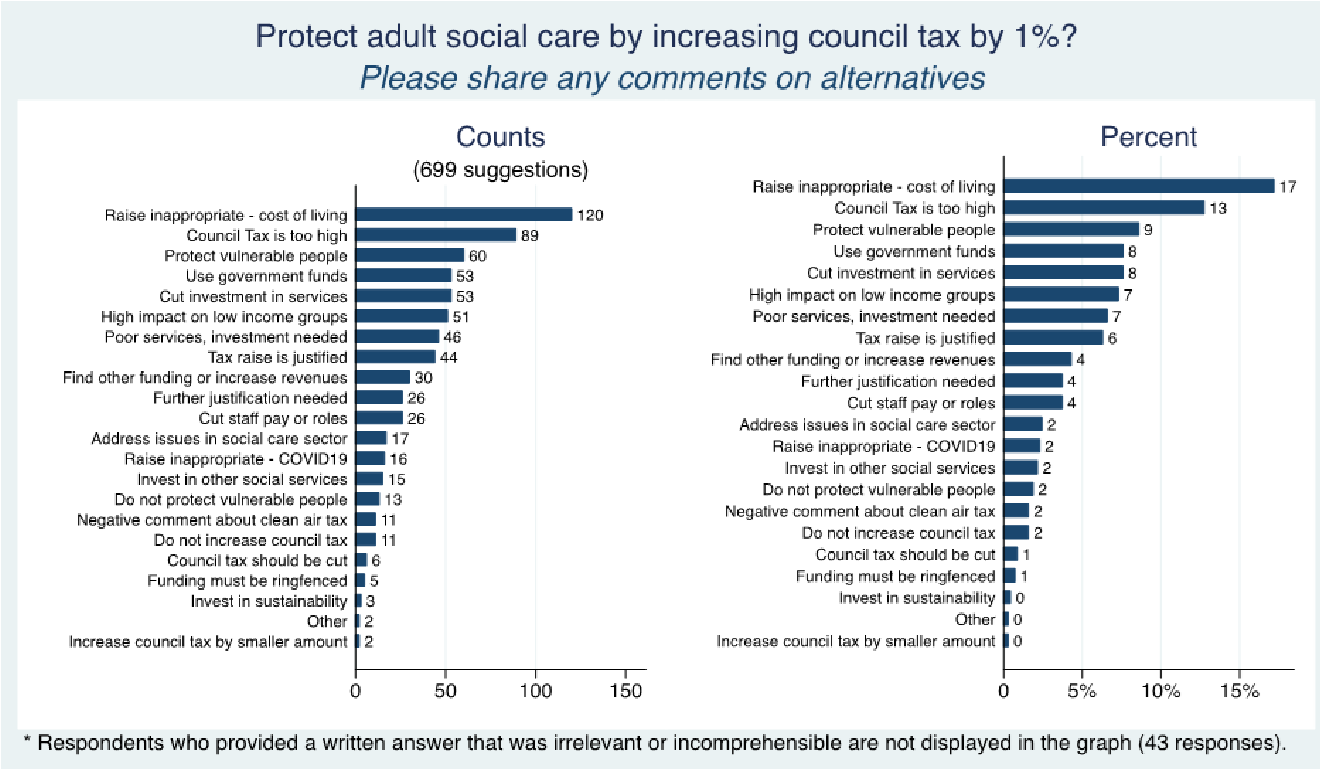
Graph 1 – Levels of agreement and disagreement with the 1% increase to protect adult social care



5.3 Q1. b. Please share any comments on alternatives or the impacts of the 1% increase you think we should consider.

5.4 In question 1b, respondents were also asked to share any comments or alternatives on the impacts of the 1% increase that they thought we should consider. Of the 1,680 responses, 535 respondents provided an answer to the open-ended question pertaining to increasing Council tax by 1%. Based on these answers 742 suggestions were extracted.

Graph 2 - Coded responses expressing views pertaining to the proposed increase to Council tax of 1%



5.5 Graph 2 shows that:

- The most prominent suggestion across all open-ended responses was the perception that it would be inappropriate to increase council tax by 1% given the current cost of living crisis (17% respondents, 120 suggestions), with concerns about the rising cost of energy bills and other household expenses and the anticipated rise of national insurance contributions particularly highlighted.

- 7% of respondents / 51 suggestions expressed concern of the high impact on low-income groups, with some also calling for a differential increase on council tax or more support for such groups.

- There were a further 13% of respondents / 89 suggestions which stated that council tax was too high, not affordable or that it already increases every year.

- Instead of raising council tax, 8% (53 suggestions) called for the Council to use government funds, including the anticipated NI increase. 4% (30 suggestions) stated the Council should find other funding or increase revenues by other means.

- 8% (53 suggestions) argued that the Council should cut investment in areas such as cycle lanes or should generally reduce inefficiency and wasteful spending (without specifying). 4% (26 suggestions) stated that the Council should cut staff roles or pay.

- It should be noted that 9% (60 suggestions) did agree that protecting vulnerable people was worthwhile, but not all agreed that raising council tax was the answer. 6% (44 suggestions) felt that a tax rise was justified, with some suggesting that a 1% increase is not sufficient.

- 7% (46 suggestions) complained of poor Council services and the need for greater investment in services such as waste collection and road repairs, as they did not feel they were getting value for money from their existing Council tax.

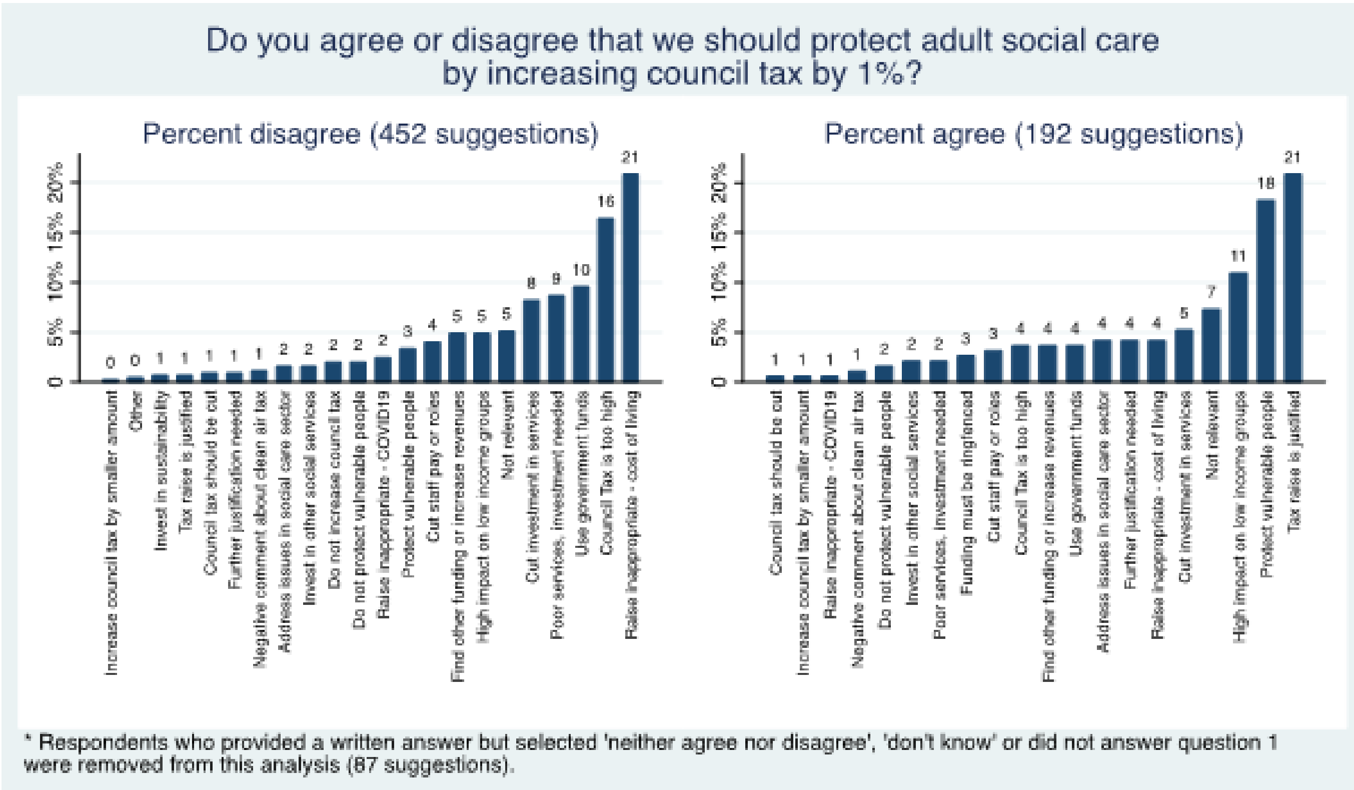
- 4% (26 suggestions) stated that they needed further information to justify the proposed increase to council tax.

- Other suggestions were provided but with lower frequency and there were also a number of responses which were not relevant.

5.6 Graph 3 displays the suggestions by whether respondents agreed or disagreed that we should protect adult social care by increasing council tax by 1%.

5.7 Overall, 30% (192 suggestions) were given by individuals who were in favour of the proposal.

Graph 3 - Responses split by whether they agreed or disagreed with the proposal to increase council tax by 1% to protect adult social care



5.8 Of those respondents who **agreed** with the proposal, the following suggestions (192) were made:

- 21% (40 suggestions) restated their agreement while 18% (35 suggestions) specifically mentioned that vulnerable people should be protected.

- 11% (21 suggestions) highlighted their concerns of the high impact on low-income groups, with some calling on the Council to implement differential increases to council tax or provide greater support to low-income groups

- Rather than increase council tax, 5% (10 suggestions) advised that the Council should cut investment in services such as cycle lanes or reduce inefficiency and waste more generally (without specifying).

- Alternatively, the Council should use Government funds, including the anticipated National Insurance contribution rise (4% / 7 suggestions), or find other funding or increase revenue in another way (4% / 7 suggestions).

- While agreeing with the proposal in the closed questions, 4% (8 suggestions) expressed concerns that it was inappropriate to raise council tax given the current cost of living crisis, notably the rise in energy bills and other household expenses and the anticipated rise in national insurance contributions. Furthermore, 4% (7 suggestions) stated that council tax was too high, not affordable or already increases every year.

- 4% (8 suggestions) commented that the Council needed to address wider issues in the social care sector, particularly in terms of recruitment and retention of carers.

- 4% (8 suggestions) stated that they needed further information to justify the proposed increase to council tax.

- Graph 3 displays additional answers that drew fewer responses and there were also a number of responses which were not relevant.

5.9 Of those respondents who **disagreed** with the proposal, the following main suggestions (452) were made:

- 21% (94 suggestions) commented that it was inappropriate to increase Council tax given the current cost of living crisis, notably the rise in energy bills and other household expenses and the anticipated rise in National Insurance contributions.

- 5% (22 suggestions) highlighted their concerns of the high impact on low-income groups, with some calling on the Council to implement differential increases to council tax or provide greater support to low-income groups

- 16% (74 suggestions) stated that council tax was too high, not affordable or already increases every year.

- 10% (43 suggestions) called for the Council to use Government funds, including the anticipated National Insurance increase.

- 8% (37 suggestions) stated the Council should cut investment in services such as cycle lanes or reduce inefficiency and wasteful spending more generally (without specifying). 4% (18 suggestions) stated that the Council should cut staff roles or pay.

- 5% (22 suggestions) stated that the Council should find other funding or increase revenues by other means.

- 9% (39 suggestions) complained of poor Council services and the need for greater investment in services such as waste collection and road repairs as they did not feel they were getting value for money from their existing Council tax.

- Graph 3 also displays additional answers that drew fewer responses and there were also a number of responses which were not relevant.

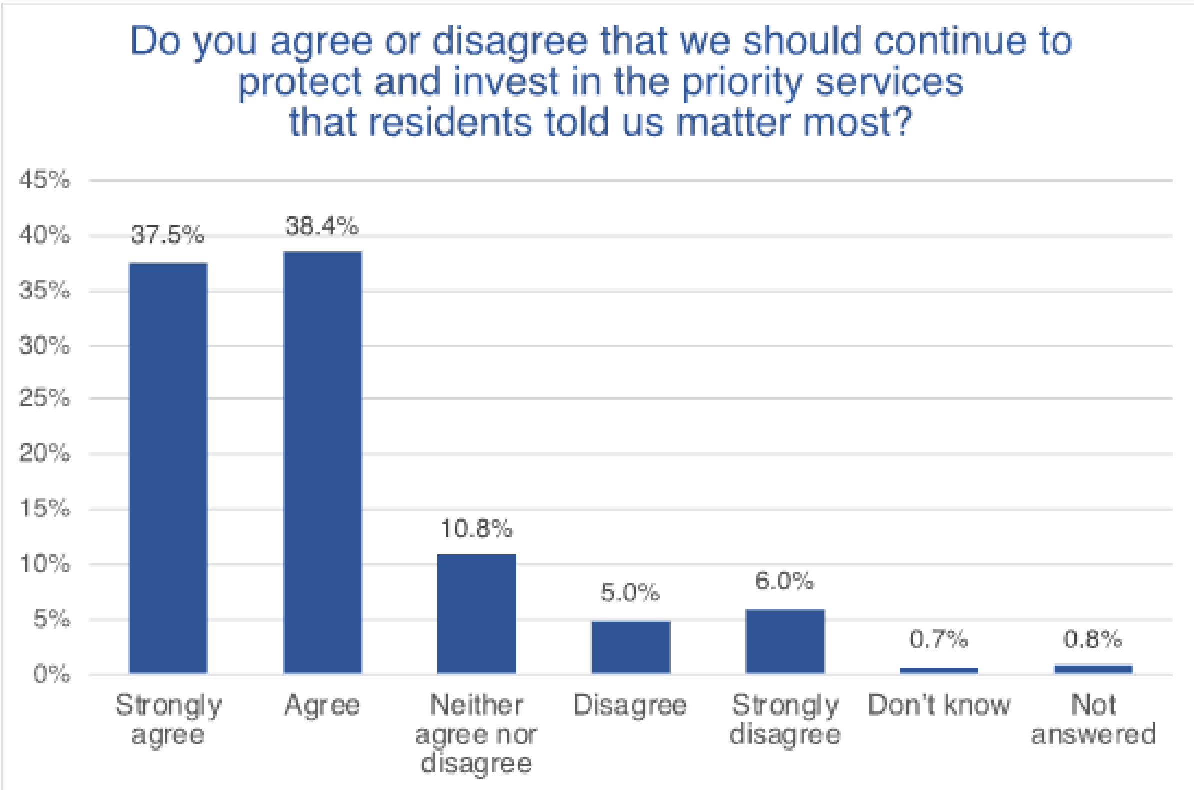
5.10 Question 2a - When we asked Manchester people what matters most to them, we listened, and we ‘ve used their priorities to help set our budget. Do you agree or disagree that we should continue to protect and invest in the priority services that residents told us matter most?

5.11 In Question 2a residents were asked whether they agreed or disagreed that services that matter most to them should be protected and invested in. In asking this question the consultation reminded residents that the following services were the ones that past consultations indicated mattered most:

- Care and support for vulnerable people
- Action on family poverty and giving young people the best start in life
- Tackling homelessness and creating better housing
- Supporting people into jobs and training
- Keeping our roads in good shape and supporting walking and cycling
- Keeping our neighbourhoods clean, including tackling fly-tipping and litter
- Maintaining parks, leisure and libraries to keep people active and happy
- Becoming a zero-carbon city and improving air quality
- Addressing inequalities to improve life chances and celebrate diversity.

5.12 The vast majority of respondents (75%) agreed or strongly agreed with the suggestion to protect and invest in services. 11% are undecided or didn’t know and a further 11% disagreed or strongly disagree.

Graph 4 – Levels of agreement and disagreement with the need to protect services that matter most to residents



5.13 Question 2b. - Please tick the priorities that are important to you

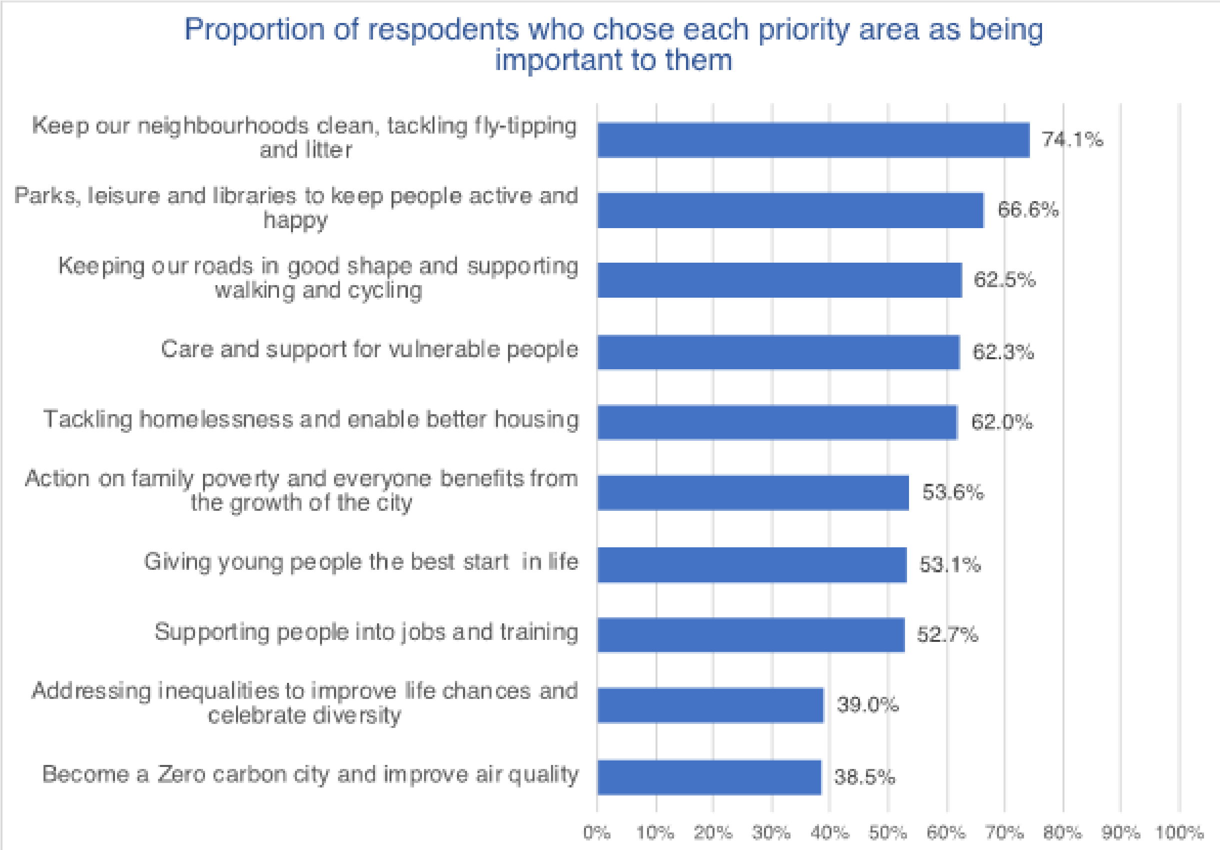
5.14 In questions 2b, residents were also asked to indicate which priority areas are important to them. Overall, among the issues that were selected by a higher number of respondents were:

- Keeping our neighbourhoods clean, tackling fly-tipping and litter (74%)
- Parks, leisure and libraries to keep people active and happy (67%)
- Keeping our roads in good shape and supporting walking and cycling (63%)
- Care and support for vulnerable people (62%)
- Tackling homelessness and enabling better housing (62%)

5.15 At the opposite end of the ranking, the issues seen as least important were:

- Addressing inequalities to improve life chances and celebrate diversity (39%)
- Becoming a Zero carbon city and improving air quality (39%)

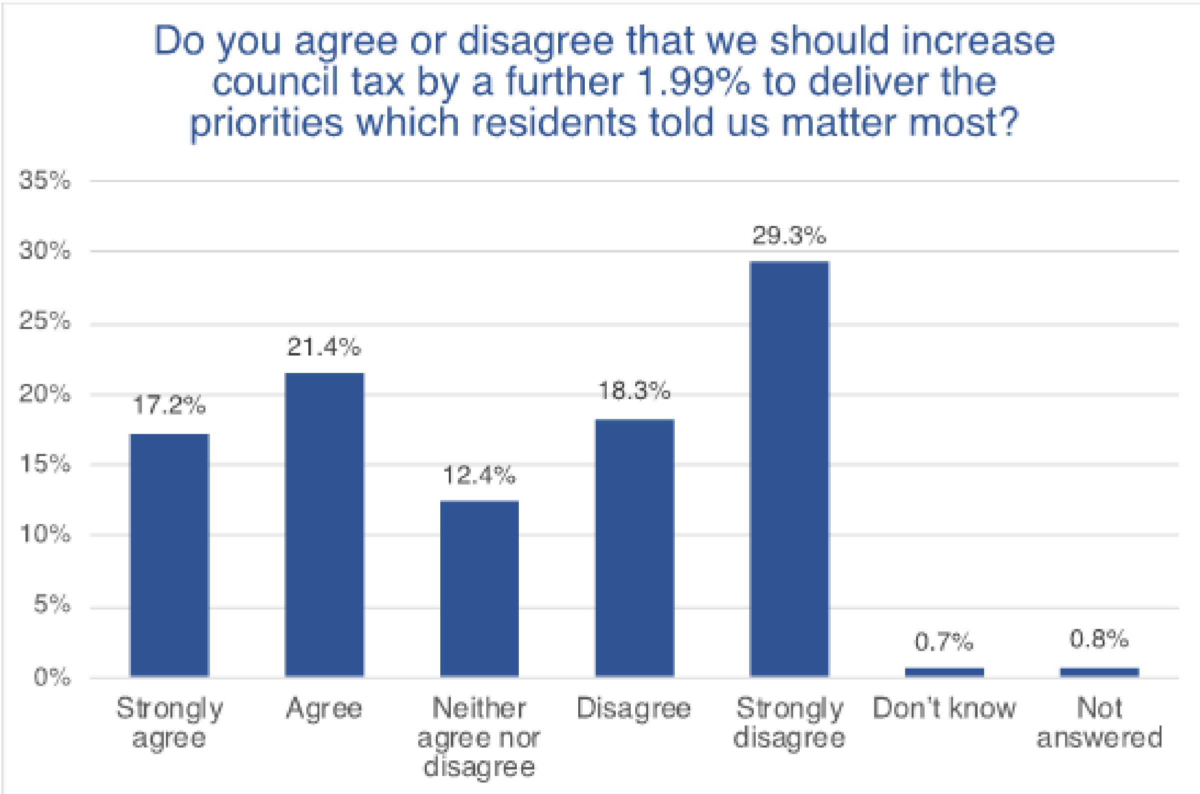
Graph 5 – Importance of suggested priority areas



5.16 Question 2c - Do you agree or disagree that we should increase council tax by a further 1.99% to enable us to deliver the priorities that residents told us matter most?

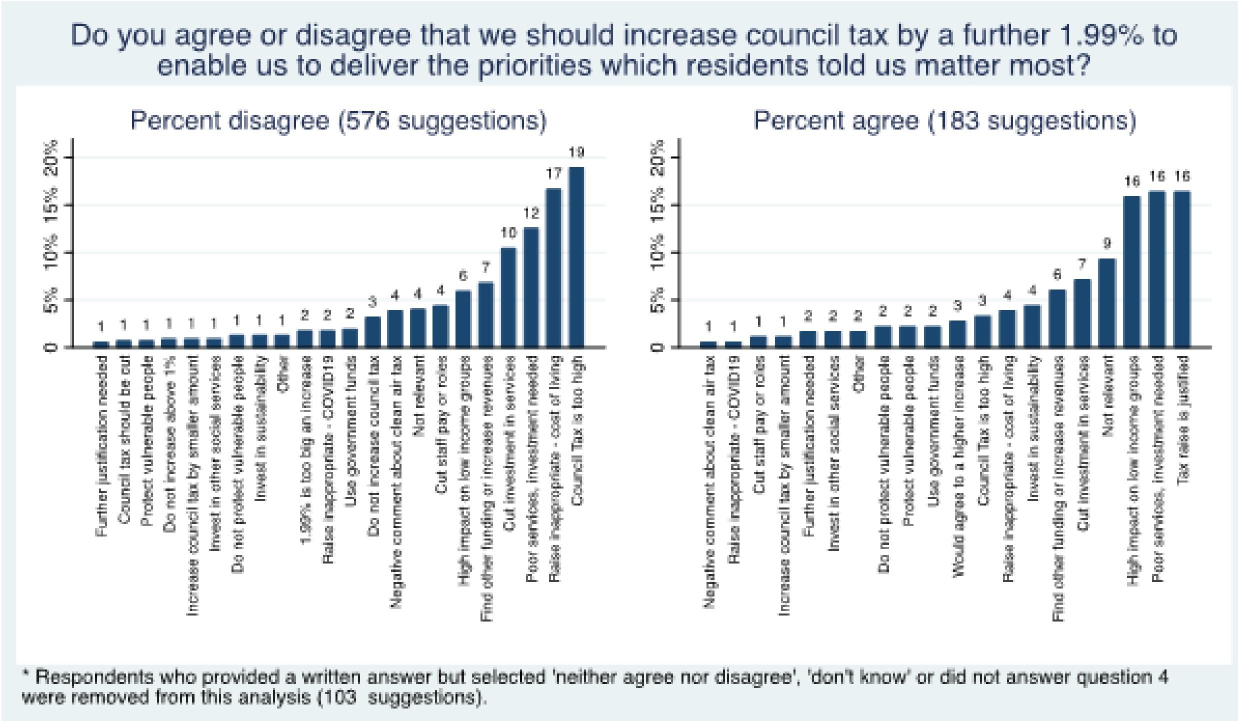
5.17 In question 2c residents were asked whether they agreed or disagreed that we should increase council tax by a further 1.99% to enable us to deliver the priorities that residents told us matter most. Out of the 1,680 responses generated by the consultation 48% disagreed or strongly disagreed that the council tax should be increased by a further 1.99% to continue to invest in services. This compares to 39% who agreed or strongly agreed with this suggestion. 13% are undecided or said they didn't know.

Graph 6 – Levels of agreement and disagreement with the need to protect services that matter most to residents



5.18 Overall, 23% (183) of suggestions were given by individuals who were in favour of the proposal.

Graph 7 – Responses split by whether respondents agreed or disagreed with the proposal to increase Council tax by a further 1.99% to continue to invest in services



5.19 Of those respondents who **agreed** with the proposal, the following suggestions (183) were made:

- 16% (30 suggestions) restated their agreement. It is noticeable that 3% (5 suggestions) would agree to an even higher increase to council tax.

- However, 16% (29 suggestions) highlighted their concerns of the high impact on low-income groups, with some calling on the Council to implement differential increases to council tax or provide greater support to low-income groups.

- 16% (30 suggestions) complained of poor Council services and the need for greater investment in services such as waste collection and road repairs, as they did not feel they were getting value for money from their existing council tax.

- 7% (13 suggestions) advised that the Council should cut investment in services such as cycle lanes or reduce inefficiency and waste more generally (without specifying). Alternatively, the Council should find other funding or increase revenue in another way (6% / 11 suggestions).

- 4% (8 suggestions) wanted the Council to do more to invest in sustainability, such as green spaces or sustainable transport options.

- While agreeing with the proposal in the closed questions, 4% (7 suggestions) expressed concerns that it was inappropriate to raise council tax given the current cost of living crisis, notably the rise in energy bills and other household expenses and the anticipated rise in national insurance contributions.

- Graph 7 displays additional answers that drew fewer responses and there were also a number of responses which were not relevant.

5.20 Of those respondents who **disagreed** with the proposal, the following suggestions (576) were made:

- 19% (109 suggestions) commented that council tax was too high, not affordable or already increases every year.

- Closely related to this, was the perception by 17% (96 suggestions) that it was inappropriate to increase council tax given the current cost of living crisis, notably the rise in energy bills and other household expenses and the anticipated rise in national insurance contributions.

- 4% (22 suggestions) also made a negative comment about the Clean Air Zone charges.

- 5% (34 suggestions) highlighted their concerns of the high impact on low-income groups, with some calling on the Council to implement differential increases to council tax or provide greater support to low-income groups

- 10% (60 suggestions) stated the Council should cut investment in services such as cycle lanes or reduce inefficiency and wasteful spending more generally (without specifying).

- 4% (25 suggestions) stated that the Council should cut staff roles or pay.

- 7% (39 suggestions) stated that the Council should find other funding or increase revenues by other means

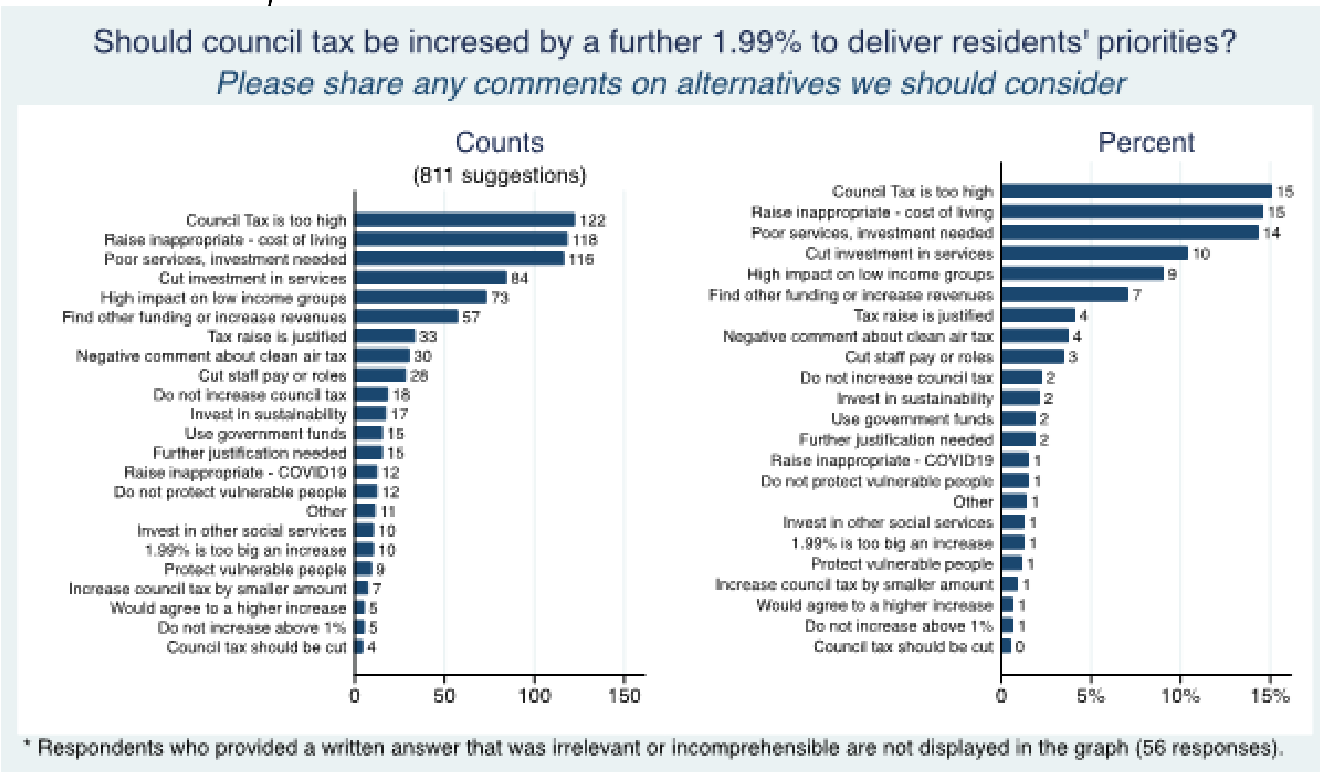
- 12% (72 suggestions) complained of poor Council services and the need for greater investment in services such as waste collection and road repairs.

- Graph 7 displays additional answers that drew fewer responses and there were also a number of responses which were not relevant.

5.21 Questions 3 - Please share any comments on alternatives or the impacts of the 1.99% increase you think we should consider.

5.22 Out of the 1,680 responses generated by the consultation 653 respondents provided an answer to the open ended question asking for comments about the suggestion to increase council tax by a further 1.99%. Based on these answers 867 suggestions were extracted. These are shown in Graph 8.

Graph 8 - Coded responses expressing views pertaining to the proposed increases by a further 1.99% to deliver the priorities which matter most to residents



5.23 Graph 8 shows that:

- The most prominent suggestion across all open-ended responses was the perception that council tax was too high, not affordable or already increases every year (15% respondents / 122 suggestions).

- Closely followed was the perception that it would be inappropriate to increase council tax by a further 1.99% given the current cost of living crisis (15% respondents, 118 suggestions), with particular concerns about the rising cost of energy bills and other household expenses and the anticipated rise of National Insurance contributions.

- 4% (30 suggestions) also made a negative comment about the Clean Air Zone charges.

- 9% of respondents / 73 suggestions expressed concern of the high impact on low-income groups, with some also calling for a differential increase on council tax or more support for such groups.

- Instead of raising council tax, 10% (84 suggestions) argued that the Council should cut investment in areas such as cycle lanes or should generally reduce inefficiency and wasteful spending (without specifying).

- Alternatively, 7% (57 suggestions) stated that the Council should find other funding or increase revenues another way.

- 14% (116 suggestions) complained of poor Council services and the need for greater investment in services such as waste collection and road repairs as they did not feel they were getting value for money from their existing council tax.

- 4% (33 suggestions) felt that the council tax rise was justified.

- Other suggestions were provided but with lower frequency and there were also a number of responses which were not relevant.

6.0 Demographic and equality data

6.1 The demographic characteristics of the respondents to the survey were compared to those of the resident population in Manchester.

6.2 A range of residents across the city of Manchester participated in the consultation. The outcome of the analysis shows that the consultation was underrepresented in all areas, but mostly in the North and South areas of the city.

6.3 Overall North Manchester was underrepresented, with 30% of responses from Manchester residents living in wards in North Manchester compared to 37% of the city's population living there. Central was overrepresented with 27% of respondents living in Central (making up 21% of the city's population) and South was proportionate to the population (43% of respondents lived in South, compared to 42% of the city's population living there). The wards with the most responses were in the Chorlton Park, Chorlton and Whalley Range area and fewer from Woodhouse Park and Fallowfield.

Locality	Budget Responses	MCR comparator %
North	30%	37%
Central	27%	21%
South	43%	42%
Manchester Residents	68%	-
No response	10%	-

Outside of Mcr/Postcode not recognised	22%	-

6.4 Respondents aged 40-49, 50-64 and 65-74 years were overrepresented. Compared to previous budget consultations, there was a slight increase in responses from respondents aged 65-74 years. Those aged 16-25 years and under the age of 16 were significantly underrepresented.

Age Group	Budget Responses	MCR Comparator
Under 16	0%	20%
16 - 25 years	3%	20%
26 - 39 years	23%	26%
40 - 49 years	19%	11%
50 - 64 years	27%	13%
65 - 74 years	14%	5%
75 + years	4%	4%

6.5 The consultation had an overrepresentation of White respondents at 76% compared to the city's population of 67%. 63% of White respondents identified as English/Welsh/Scottish/Northern Irish/British (see Appendix 1 for full demographic analysis).

6.6 All other groups were underrepresented and contributed less than half of the responses. Following White respondents, the most responses from the underrepresented groups identified as African (38, 2 %) and Pakistani (37, 2%).

Ethnicity groups	Budget Responses	MCR Comparator
Asian/Asian British	4%	17%
Black/African/Caribbean/ Black British	3%	9%
Mixed/Multiple Ethnic Group	2%	5%
White	76%	67%
Other Ethnic Group	1%	3%

6.7 Whilst the response rates overall for the consultation don't perfectly reflect the overall diversity of the city (i.e. response rates aren't exactly in the same proportions as the proportion of residents in our communities), it is encouraging that across the 1,680 responses to the consultation all major groups in the city were reached. The demographic profile tables above demonstrate how the responses to this consultation break down.

6.8 As well as checking the responses for their reach across our communities, the responses to the three main questions in the survey (the 1% Social Care rise, the 1.99% Council Tax rise, and the views on our current priorities) were reviewed to understand if the views of residents differ depending on their demographic and personal situation. Where people live; whether that is an area of high deprivation; what their age, gender, ethnicity & sexual orientation is; and if they are disabled and/or have caring responsibilities; were all looked at and compared to how they responded to the three main questions in the consultation.

6.9 In terms of the question "*Do you agree or disagree that we should continue to protect and invest in the priority services which residents told us matter most?"* overall 75% of all respondents agreed with this question, 11% were unsure and 11% disagreed. When this was reviewed for the groups listed above, it showed that whilst there is some slight deviation in views depending on age, ethnicity and those with caring responsibility, overall, there is a general consistency in our residents' views.

6.10 When considering the questions on *'council tax rises'* there are however some more pronounced deviations in the views from our residents. This mainly relates to age, ethnicity, and deprivation; where young people, those from the most deprived areas, and those who are from ethnic minority groups were less likely to agree with the proposed council tax increases of 1% and 1.99% respectively. More information can be found in Appendix 2.

6.11 Whilst this analysis of the results helps the Council to understand the differing views on the proposals being consulted on, it can't be assumed that this translates into a direct impact from the proposals. Therefore, it can be said with confidence that the Council knows that our communities feel differently about these proposals, but this analysis is only one part of an overall picture of perception and impact and should feed a wider programme of inclusive growth work.

7.0 Recommendations

7.1 Members are asked to note the results of the consultation provided in the report.

8.0 Appendices

8.1 Appendix 1 Demographic analysis

Ethnicity	Budget Responses %	MCR Comparator %
Asian / Asian British		
Bangladeshi	0%	1%
Chinese	0%	3%
Indian	1%	2%

Kashmiri	0%	0%
Pakistani	2%	9%
Other Asian	1%	2%
Black / African / Caribbean / Black British		
African	2%	5%
Caribbean	1%	2%
Somali	0%	0%
Other Black	0%	1%
Mixed / Multiple Ethnic Groups		
White and Black Caribbean	0%	2%
White and Black African	1%	1%
White and Asian	1%	1%
Other Mixed	1%	1%
White		
English/Welsh/Scottish/Northern Irish/British	63%	59%
Irish	2%	2%
Gypsy or Irish Traveller	0%	0%
Other White	11%	5%
Other Ethnic Group		
Any other Ethnic Group	1%	3%

8.2 Appendix 2 Demographic response analysis

8.3 On average 51% of respondents agreed with the proposal to **'protect adult social care by increasing council tax by 1%?'**, however:

- If you review this by age, younger people are less likely to agree (i.e. 30% of 16-25s agree) compared to older people (i.e. 60% of 50-64s rising to 78% of those age over 75).
- A similar trend is evident when we look at deprivation (as defined by the ONS Index of Multiple Deprivation) where those in the most deprived areas are less likely to agree (i.e. 46% agree) than those from the least deprived areas (i.e. Over c.70% agree)

- Ethnicity is another area where the responses to this question vary. Whilst we have data for all the sub-ethnic classification groups, we need to combine these ensure the sample size isn't too small to be meaningful. Therefore, if for comparison we combine into White British (as the majority respondent group) and Non-White British (combining all other groups), then we see that 61% of White British agreed to this question, compared to only 34% of Non-White British.
- There are also some differences when we compare the views of those respondents that have and don't have Caring Responsibilities. Those with caring responsibilities were more likely to agree (57%) compare to those with no responsibilities (44%).

8.4 On average 39% of respondents agreed with the proposal to '**that we should increase council tax by further 1.99% to enable us to deliver the priorities which residents told us matter most?**', however the responses to this question generally mirror those above:

- Younger people are less likely to support this (25% of 16-25s and 30% of 26-39s) compared to older people (43% of 50-64s, 54% of 65-74s and 72% of over 75s).
- The pattern is less linear when it comes to Deprivation, however in general those in the most deprived areas are less likely to agree (c.38% agree) compared to those in the least deprived areas (between 47-57%).
- When we look at broad differences between White British and Non-White British, we see that agreement with this proposal is 48% and 27% respectively.
- And a similar pattern exists when considering those with and without Caring Responsibilities, those with responsibilities were more like to agree (46%) compared to those without (30%).

Manchester City Council
Report for Resolution

Report to:	Council – 4 March 2022
Subject:	Council Tax Resolution for 2022/23
Report of:	Deputy Chief Executive and City Treasurer, Chief Executive and City Solicitor

Summary

To advise the Council of the recommended Council Tax resolution and Collection Fund budget for 2022/23.

Recommendations

The Council is recommended to:

1. Adopt the part proceedings of the Executive on 16 February 2022 which contain details of the following:
   - Medium Term Financial Strategy
   - Revenue Budget 2022/23
   - Capital Strategy and Budget 2022/23 to 2024/25
   - Children and Education Services Budget 2022/23
   - Adult Social Care and Population Health Budget 2022/23
   - Neighbourhoods Budget 2022/23
   - Growth and Development Budget 2022/23
   - Corporate Core Budget 2022/23
   - Housing Revenue Account – 2022/23 to 2024/25.
   - Treasury Management Strategy Statement 2022/23, including Borrowing Limits and Annual Investment Strategy

2. Note the position on reserves as detailed in Appendix 2 to this report

3. Note that the Council tax determination included at Appendix 3 reflects the budget position

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

5. Approve the Council Tax determination attached as Appendix 3. The Council Tax determination:

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

- Sets an amount of Council Tax for each category of dwellings in each valuation band in accordance with Section 30 of the Local Government Finance Act, 1992.

6. Approve the Treasury Management Strategy including Borrowing requirement and strategy, Annual Investment Strategy, Prudential and Treasury Indicators, Minimum Revenue Provision strategy included at Appendix 4.

7. Approve the Collection Fund Budget for 2022/23 as set out in Appendix 5 to this report.

8. Proposed budget amendments as set out in Appendix 6 to 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 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.

<table>
<tr><th>Manchester Strategy outcomes</th><th>Summary of the contribution to the strategy</th></tr>
<tr><td>A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities</td><td rowspan="5">This report presents to council the proposed Revenue Budget and consequent Council Tax for the City. Whilst this has no direct implications for the Our Manchester Strategy outcomes a balanced budget is a pre-requisite to the provision of the council services that support the outcomes and includes some transfer of resources to support key council objectives.</td></tr>
<tr><td>A highly skilled city: world class and home grown talent sustaining the city's economic success</td></tr>
<tr><td>A progressive and equitable city: making a positive contribution by unlocking the potential of our communities</td></tr>
<tr><td>A liveable and low carbon city: a destination of choice to live, visit, work</td></tr>
<tr><td>A connected city: world class infrastructure and connectivity to drive growth</td></tr>
</table>

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 approval sought above is a pre-requisite to setting a revenue budget for 2022/23. The revenue budget incorporates provision for financing of borrowing undertaken to fund capital expenditure.

Financial Consequences – Capital

Details of the proposed Capital Programme for the next five years were approved at Executive on 16 February 2022 and any financial implications are contained within the body of the report and attached schedules.

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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.

Provisional and final Local Government Finance Settlement papers,

Final Levy and Precept notifications from the Greater Manchester Mayoral Police and Crime Commissioner Precept and Greater Manchester Mayoral General Precept (including Fire Services),

Reports to the Executive on 16 February 2022, available here, entitled:

- Medium Term Financial Strategy
- Revenue Budget 2022/23
- Capital Strategy and Budget 2022/23 to 2024/25
- Children and Education Services Budget 2022/23
- Adult Social Care and Population Health Budget 2022/23
- Neighbourhoods Budget 2022/23
- Growth and Development Budget 2022/23
- Corporate Core Budget 2022/23
- Housing Revenue Account – 2022/23 to 2024/25.
- Treasury Management Strategy Statement 2022/23, including Borrowing Limits and Annual Investment Strategy

1. **Introduction**

1.1 At its meeting on 16 February 2022 the Executive received a series of reports which outlined the position for 2022/23 setting a balanced one year budget in line with the Government's one year funding announcement. This reflected the budget position of the Council after the announcement of the final Local Government Finance Settlement on 7 February 2022. These reports included:

(i) A Medium Term Financial Strategy which set out the framework for the budget strategy and the implications for the Council from the Finance Settlement. The report also set out the issues and legal requirements members need to consider prior to Council finalising the budget and setting the Council Tax for 2022/23.

(ii) The budget report for 2022/23 and a detailed report from each Directorate on proposals for service change to ensure they continue to meet the Council's objectives whilst managing within the available resource envelope.

1.2 Resources and Governance Scrutiny Committee met on 28 February 2022 to consider the full suite of budget reports. The Committee also considered the issues arising from individual budget reports that the chairs of the scrutiny committees wished to draw their attention to. The proceedings of the meeting and the recommendations made are set out in the minutes elsewhere on this agenda. The full suite of budget reports are listed as background documents. Members should take the contents of these into account when considering the recommendations in this report.

2. **The Revenue Budget**

2.1 The financial considerations contained within this report are based on the final Local Government Finance Settlement issued on 7 February 2022 which provided a one-year finance settlement.

2.2 The Finance Settlement was towards the positive end of expectations, although it assumes that local authorities will increase council tax by 2.99% being the 2% referendum limit and the 1% Adult Social Care precept.

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

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

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

Table 1: Savings Proposals for financial year 2022/23

	Approved in 2021/22	Proposed as part of 2022/23 budget setting	Total 2022/23 savings
	£'000	£'000	£'000
Children's	(152)	444	292
Adult's Social Care	3,326	560	3,886
Corporate Core	1,153	1,501	2,654
Neighbourhoods (inc Homelessness)	493	453	946
Growth and Development	0	59	59
Corporate budgets	0	1,000	1,000
Total	**4,820**	**4,017**	**8,837**

2.6 The updated position is set out in Table 2 below.

Table 2: Summary of Budget Position 2021/22(Latest) and 2022/23 (Proposed)

	Revised 2021/22	2022/23
	£'000	£'000
Resources Available		
Business Rates Related Funding	260,465	235,553
Council Tax	176,857	208,965
Grants and other External Funding	120,243	104,533
Use of Reserves	184,667	141,548
Total Resources Available	**742,232**	**690,599**
Resources Required		
Corporate Costs:		
Levies / Statutory Charge	66,580	67,871
Contingency	600	1,060
Capital Financing	39,507	39,507
Transfer to Reserves	117,594	24,638
Sub Total Corporate Costs	*224,281*	*133,076*
Directorate Costs:		
Additional Allowances and other pension costs	8,316	7,316
Insurance Costs	2,004	2,004
Inflationary Pressures and budgets to be allocated	4,551	28,212
Directorate Budgets	503,080	519,991
Subtotal Directorate Costs	*517,951*	*557,523*
Total Resources Required	**742,232**	**690,599**

Shortfall / (surplus)	**0**	**0**

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

2.7 The budget report for 2022/23 also provided details of proposed movements to and from reserves including those being used to support the revenue budget. The detailed updated schedule of reserves is attached at Appendix 2.

3 Setting the Council Tax for 2022/23

3.1 The Localism Act abolished council tax capping powers and replaced them with a requirement for an authority to hold a council tax referendum if it increases its council tax by an amount exceeding the limit set out in principles determined by the Secretary of State and approved by the House of Commons.

3.2 The final Local Government Finance Settlement on 7 February 2022 confirmed that for 2022/23, local authorities will be able to increase their relevant basic amount of council tax (average Band D council tax, excluding local precepts) by up to 2% without having to hold a referendum.

3.3 A number of additional flexibilities also apply to different categories of authority. Local authorities with responsibility for Adult Social Care can increase their council tax by up to 1% on top of the 2% core principle.

3.4 The Council Tax bill and the information that accompanies it, must highlight the part of the increase that is being used to fund adult social care. Further Information about spending on adult social care must be provided with the demand notice.

3.5 The Council will also include reference to the £150 one-off Energy Bills Rebate for households in council tax bands A –D on the bill, along with a leaflet prescribed by government. This rebate will be treated outside the council tax system.

3.6 This report is prepared on the basis that Manchester's Council Tax will increase by 2.99% in 2021/22; 1.99% attributable to the Council element and 1% for the Adult Social care precept. This equates to a Band D charge of £1,541.34 (an increase of £44.75 from 2021/22).

3.7 The Greater Manchester Mayoral General Precept has been confirmed at £102.95 for a Band D property, comprising of £71.20 for functions previously covered by the Fire and Rescue Authority (an increase of £5.00 from 2021/22) and £31.75 for other Mayoral General functions including bus reform (an increase of £7.00 from 2021/22).

3.8 The Greater Manchester Mayoral Police and Crime Commissioner Precept will increase by £10.00 to £228.30 for a Band D property which is in line with the flexibility provided by the Government to all Police and Crime Commissioners.

3.9 The Council Tax resolution is attached as Appendix 3.

4 Prudential indicators

4.1 The proposed Prudential Indicators for 2022/23 to 2024/25 are shown in Appendix 4.

5 Collection Fund Budget

5.1 Attached for approval at Appendix 5 is the proposed collection fund budget for 2022/23. The collection fund budget includes income and expenditure relating to both council tax and business rates.

6 Robustness of the Budget

6.1 The budget report to Executive set out the Council’s legal duties to which members must have regard in formulating the budget and setting Council Tax. The report referred not only to the need for the Council to continue to meet its statutory duties but also to any remaining requirements for consultation, legal processes and equality impact assessments before a final decision can be taken.

6.2 The Deputy Chief Executive and City Treasurer has a duty to report on the robustness of the estimates made for the purposes of the calculation of Council Tax and the adequacy of the financial reserves. As reported to the Executive the Deputy Chief Executive and City Treasurer remains satisfied that the assumptions on which the budget has been proposed are manageable within the flexibility allowed by the General Fund balance. This and the fact that the Council holds other reserves that can be called on if necessary means that the Deputy Chief Executive and City Treasurer is confident that overall the budget position of the Council can be sustained within the overall level of resources available. However, to the degree that the budget savings are not achieved in a timely manner and reserves are called on to achieve a balanced position, the future year’s savings will be prejudiced and further savings will need to be identified and implemented, including to replace reserve drawn downs, in order to ensure these are sufficient for future years.

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	300	0	0	300

Service Area	Approval Year	Description of Saving	2022/23 £000	2023/24 £000	2024/25 £000	Total
		running costs, licensing and telephony				
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**
Neighbour-hoods:						
Compliance	2021/22	Saving reversed after time limited use of external grant funding	(137)			(137)

Service Area	Approval Year	Description of Saving	2022/23 £000	2023/24 £000	2024/25 £000	Total
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 Develop-ment:						
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 and mitigations to £7.733m.

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

APPENDIX 2

Proposed Use of Reserves

Reserve	Forecast Closing Balance 31/03/22	With-drawal	Addition	Closing Balance 31/03/23	With-drawal	Addition	Closing Balance 31/03/24	With-drawal	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	**411,811**	(202,442)	50,238	**259,607**	(102,484)	13,334	**170,457**	(44,498)	8,337	**134,296**	
General Fund Reserve	**27,973**	(2,970)	0	**25,003**	0	0	**25,003**	0	0	**25,003**	
Total General Fund	**457,328**	**(214,792)**	**60,633**	**303,169**	**(111,173)**	**23,729**	**215,725**	**(53,187)**	**18,732**	**181,270**	
Housing Revenue Account Reserves:				**43,902**							
Housing Revenue Account General Reserve	**58,090**	(15,690)	1,502		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**	
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	**569,930**	**(230,482)**	**62,335**	**401,783**	**(107,997)**	**22,948**	**316,734**	**(54,457)**	**18,932**	**281,209**	
SCHOOLS RESERVE											

Reserve	Forecast Closing Balance 31/03/22	With-drawal	Addition	Closing Balance 31/03/23	With-drawal	Addition	Closing Balance 31/03/24	With-drawal	Addition	Closing Balance 31/03/25	Purpose
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	
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**	
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.

Reserve	Forecast Closing Balance 31/03/22	With-drawal	Addition	Closing Balance 31/03/23	With-drawal	Addition	Closing Balance 31/03/24	With-drawal	Addition	Closing Balance 31/03/25	Purpose
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
Spinningfields Commuted Sum	**643**	(9)	0	**634**	(9)	0	**625**	(9)	0	**616**	Funds received as part of an 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 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

Reserve	Forecast Closing Balance 31/03/22	With-drawal	Addition	Closing Balance 31/03/23	With-drawal	Addition	Closing Balance 31/03/24	With-drawal	Addition	Closing Balance 31/03/25	Purpose
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
											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 re: the PFI contract for Street Lighting service via external contractors
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											

Reserve	Forecast Closing Balance 31/03/22	With-drawal	Addition	Closing Balance 31/03/23	With-drawal	Addition	Closing Balance 31/03/24	With-drawal	Addition	Closing Balance 31/03/25	Purpose
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	
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 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 Manchester airport

Reserve	Forecast Closing Balance 31/03/22	With-drawal	Addition	Closing Balance 31/03/23	With-drawal	Addition	Closing Balance 31/03/24	With-drawal	Addition	Closing Balance 31/03/25	Purpose
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
											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.
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

Reserve	Forecast Closing Balance 31/03/22	With-drawal	Addition	Closing Balance 31/03/23	With-drawal	Addition	Closing Balance 31/03/24	With-drawal	Addition	Closing Balance 31/03/25	Purpose
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	
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	**136,487**	(117,409)	16,638	**35,716**	(27,320)	0	**8,396**	(490)	0	**7,906**	To mitigate Business Rates income risk due to the volatility of assumptions
Cleopatra Reserve	**663**	0	0	**663**	0	0	**663**	0	0	**663**	To mitigate against the risk of additional claims
TOTAL Risk/Smooth	**241,325**	**(157,917)**	**24,667**	**108,075**	**(57,507)**	**147**	**50,715**	**(13,949)**	**578**	**37,344**	
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.

Reserve	Forecast Closing Balance 31/03/22	With-drawal	Addition	Closing Balance 31/03/23	With-drawal	Addition	Closing Balance 31/03/24	With-drawal	Addition	Closing Balance 31/03/25	Purpose
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
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 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	With-drawal	Addition	Closing Balance 31/03/23	With-drawal	Addition	Closing Balance 31/03/24	With-drawal	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 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

Reserve	Forecast Closing Balance 31/03/22	With-drawal	Addition	Closing Balance 31/03/23	With-drawal	Addition	Closing Balance 31/03/24	With-drawal	Addition	Closing Balance 31/03/25	Purpose
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
											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.
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

Reserve	Forecast Closing Balance 31/03/22	With-drawal	Addition	Closing Balance 31/03/23	With-drawal	Addition	Closing Balance 31/03/24	With-drawal	Addition	Closing Balance 31/03/25	Purpose
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
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. '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	**3,652**	(342)	0	**3,310**	(1,129)	0	**2,181**	0	0	**2,181**	Small reserves on Corporate Core
MAES Reserve	**776**	(250)	0	**526**	(449)	0	**77**	0	0	**77**	To fund Manchester Adult Education Services (MAES)
Flood management reserve	**37**	0	0	**37**	0	0	**37**	0	0	**37**	Unspent grant received in previous year
DFT004 DFT Grants	**90**	0	0	**90**	0	0	**90**	0	0	**90**	Unspent grant

Reserve	Forecast Closing Balance 31/03/22	With-drawal	Addition	Closing Balance 31/03/23	With-drawal	Addition	Closing Balance 31/03/24	With-drawal	Addition	Closing Balance 31/03/25	Purpose
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	
Reserve											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	**9,450**	**(1,493)**	**34**	**7,991**	**(1,825)**	**0**	**6,166**	**0**	**0**	**6,166**	
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 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**	Contributions towards future maintenance
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 f the Council With

Reserve	Forecast Closing Balance 31/03/22	With-drawal	Addition	Closing Balance 31/03/23	With-drawal	Addition	Closing Balance 31/03/24	With-drawal	Addition	Closing Balance 31/03/25	Purpose
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	
											ALMOs Group which is administered by MCC
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	**465**	(100)	0	**365**	(100)	0	**265**	(100)	0	**165**	A collection of grants the majority of which require spending plans to be agreed with key partner organisations such as GM Police.
Litter Reserve (Fixed Penalty Notices)	**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.

Reserve	Forecast Closing Balance 31/03/22	With-drawal	Addition	Closing Balance 31/03/23	With-drawal	Addition	Closing Balance 31/03/24	With-drawal	Addition	Closing Balance 31/03/25	Purpose
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	
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	**6,002**	**(666)**	**120**	**5,456**	**(866)**	**120**	**4,710**	**(388)**	**120**	**4,442**	
TOTAL EARMARKED RESERVES	**411,811**	**(202,442)**	**50,238**	**259,607**	**(102,484)**	**13,334**	**170,457**	**(44,498)**	**8,337**	**134,296**	
Total General Fund Reserves	**471,887**	**(214,792)**	**60,633**	**317,728**	**(111,173)**	**23,729**	**230,284**	**(53,187)**	**18,732**	**195,829**	

APPENDIX 3

COUNCIL TAX

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

1. That the estimates prepared by the Executive at its meeting on 16 February 2022 be approved.

2. That it be noted that the Deputy Chief Executive and City Treasurer acting under delegated powers has determined the amount of 127,620.0 as the Council Tax base for Manchester for the year 2022/23 in accordance with Section 31A (3) of the Local Government Finance Act 1992 and regulations 3 to 5 of the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012.

3. That the following amounts can be now calculated by the Council for the year 2022/23 in accordance with Sections 31A to 36 of the Local Government Finance Act 1992:

(a) £1,601,641,953	being the aggregate of the amounts which the Council estimates for the items set out in the Section 31A (2) (a) to (f) of the Act.
(b) £1,404,936,333	being the aggregate of the amounts which the Council estimates for the items set out in Section 31A (3) (a) to (d) of the Act.
(c) £196,705,620	being the amount by which the aggregate at 3(a) above exceeds the aggregate at 3(b) above, calculated by the Council, in accordance with Sections 31A(4) of the Act, as its council tax requirement for the year.
(d) £1,541.34	being the amount at 3(c) above divided by the amount at 2 above, calculated by the Council in accordance with Section 31B(1) of the Act, as the basic amount of its council tax for the year.
(e) Valuation Bands	being the amount given multiplying the amount at 3(d) above by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation band D, calculated by the Council, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands. The band bill is shown in the table below.

A	B	C	D	E	F	G	H
£1,027.56	£1,198.82	£1,370.08	£1,541.34	£1,883.85	£2,226.37	£2,568.89	£3,082.67

4. That it be noted that for the year 2022/23 the major precepting authorities have stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings shown below:

<u>Precepting Valuation bands</u>

Greater Manchester Mayoral Police and Crime Commissioner Precept:

A	B	C	D	E	F	G	H
£152.20	£177.56	£202.93	£228.30	£279.03	£329.76	£380.50	£456.60

Greater Manchester Mayoral General Precept (including Fire Services):

A	B	C	D	E	F	G	H
£68.63	£80.07	£91.51	£102.95	£125.82	£148.70	£171.58	£205.90

5. That, having calculated the aggregate in each case of the amounts at 3(e) and 4 above, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of Council Tax for the year 2022/23 for each of the categories of dwellings shown below.

A	B	C	D	E	F	G	H
£1,248.39	£1,456.45	£1,664.52	£1,872.59	£2,288.70	£2,704.83	£3,120.97	£3,745.17

1. CALCULATING THE COUNCIL TAX REQUIREMENT

Section 31A Calculations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	HRA £	Other £	Total £
Expenditure			
Section 31A (2)(a)	99,617,000	1,325,501,620	1,425,118,620
Section 31A (2)(b)	0	1,060,000	1,060,000
Section 31A (2)(c)	1,702,000	60,633,000	62,335,000
Section 31A (2)(d)	0	9,079,333	9,079,333
Section 31A (2)(da)	0	0	0
Section 31A (2)(e)	0	104,049,000	104,049,000
Section 31A (2)(f)	0	0	0
Total Expenditure	**101,319,000**	**1,500,322,953**	**1,601,641,953**
Income			
Section 31A (3)(a)	(85,629,000)	(768,953,478)	(854,582,478)
Section 31A (3)(aa)	0	(294,713,000)	(294,713,000)
Section 31A (3)(b)	0	(24,042,000)	(24,042,000)
Section 31A (3)(c)	0	(1,116,855)	(1,116,855)
Section 31A (3)(d)	(15,690,000)	(214,792,000) .	(230,482,000)
Total Income	**(101,319,000)**	**(1,303,617,333)**	**(1,404,936,333)**

1.5 **Council Tax Requirement under Section 31A(4**) being the amount by which the aggregate under Section 31A(2) exceeds the aggregate under Section 31A(3) is £196,705,620.

2. CALCULATING THE BASIC AMOUNT OF COUNCIL TAX

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

2.2 This calculated by applying the following formula: R ÷ T
Where:

R: is the Council Tax requirement, and
T: is the approved Council Tax base

2.3 Calculating the Basic Amount of Council Tax

Council Tax Requirement	£196,705,620
Divided by:	
Council Tax Base	127,620.0
Band D Basic Amount of Council Tax is:	**£1,541.34**

APPENDIX 4

Prudential and Treasury Indicators 2022/23 to 2024/25

Please note last year's 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	(190.0)	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 5

COLLECTION FUND BUDGET 2022/23	2022/23 Budget Estimate £'000
EXPENDITURE	
COUNCIL TAX (Surplus) / Deficit B/fwd	(14,791)
Precepts: • Mayoral General (including Fire Services) • Mayoral Police & Crime Commissioner • City of Manchester	 13,138 29,136 196,706
Total Precepts	238,980
Council Tax Total Expenditure	**224,189**
BUSINESS RATES (Surplus) / Deficit B/fwd	102,369
Payments/Transfers: • Mayoral General (including Fire Services) • City of Manchester	 2,977 294,713
Total Payments/transfers	297,690
Business Rates Total Expenditure	**400,059**
Collection Fund Total Expenditure	**624,248**
INCOME	
COUNCIL TAX Council Tax Income Write Off of uncollectable amounts Allowance for Impairment	 250,241 (980) (10,281)
Council tax receivable	238,980
Contribution of Council Tax (surplus) / deficit: • Mayoral General (including Fire Services) • Mayoral Police & Crime Commissioner • City of Manchester *(Includes one third of 2020/21 in year deficit)*	 (745) (1,788) (12,258)
Total Contribution to Council Tax (surplus) / deficit	(14,791)
Council Tax Total Income	**224,189**
BUSINESS RATES Non Domestic Business Rates Income Enterprise Zone growth above baseline	 334,997 (475)

COLLECTION FUND BUDGET 2022/23	2022/23 Budget Estimate £'000
Cost of Collection Allowance Losses in Collection Increase in Provision for Appeals	(1,117) (16,750) (18,965)
Business rates receivable	297,690
Contribution of Business Rates (surplus) / deficit: • Mayoral General (including Fire Services) • City of Manchester *(Includes one third of 2020/21 in year deficit)*	 1,024 101,345
Total Contribution to Business Rates (surplus) / deficit	102,369
Business Rates Total Income	**400,059**
Collection Fund Total Income	**624,248**
MOVEMENT ON FUND BALANCE	
Council Tax (Surplus) / Deficit C/fwd Business Rates (Surplus) / Deficit Cfwd	0 0
Collection Fund (Surplus) / Deficit	**0**

APPENDIX 6

Proposed budget amendments

Amendment (1): Proposed by Councillor M Dar, seconded by Councillor Battle.

Across Ancoats and Beswick residents raise the problem of commuter and visitor parking on a regular basis.

In Beswick following Eastlands development, Labour Councillors secured first the Etihad Parking Scheme and now the wider Eastlands Parking scheme. The Council will continue to ensure this is extended effectively.

The Council is proud of Ancoats and New Islington and the vibrant new communities that have been created, but too often residents are blighted by commuter parking. For example, many residents on roads such as Weybridge Road, Chippenham Road, Woodward Street and the surrounding area have raised regular problems with parking. The City Council should bring forward a local parking scheme in Ancoats that benefits residents and is funded from the proceeds of development in the area and complements the residents parking scheme in other parts of the ward. Work will begin to bring forward a formal consultation with residents early in the new financial year.

The proceeds from developer contributions are yet to be agreed, they are expected to be in the region of £4m which could be used in part to fund a residents parking scheme. The forecast impact on the reserves position should this amendment be supported is shown below. The revenue budget will be updated at the point the reserves are drawn down.

Reserve	Forecast Closing Balance 31/03/22	Withdrawal	Addition	Closing Balance 31/03/23	Closing Balance 31/03/24	Closing Balance 31/03/25
	£000	£000	£000	£000	£000	£000
Reserves Position per Appendix 2	**471,887**	(214,792)	60,633	317,728	230,284	195,829
Potential revision to Capital Fund reserve		(4,000)	4,000	0	0	0
Revised reserves position following amendment	**471,887**	**(218,792)**	**64,633**	**317,728**	**230,284**	**195,829**

Amendment (2): Proposed by Councillor Good, seconded by Councillor Leech.

To allocate a budget of £1m to enable the Council to deliver additional local road safety and traffic calming schemes in areas of need; to be funded through a transfer from the Bus Lane Enforcement Reserve.

A budget of £960k to be allocated to enable the Council to continue the Parks in Partnership funding of £30k for each of the 32 wards of the city, for a further year, to be funded from the On-street Parking Reserve.

To allocate an additional £1m to the budget to improve basic services and street cleaning, to bring it in line with the Council's proposed budget for 2023/24 and 2024/25, to be funded from the increase to the business rates reserve. All proposals in this amendment are one off spending commitments for 2022/2023.

The impact on the reserves position should this amendment be supported is shown Below. The revenue budget will be updated at the point the reserves are drawn down.

Reserve	**Forecast Closing Balance 31/03/22**	**Withdrawal**	**Addition**	**Closing Balance 31/03/23**	**Closing Balance 31/03/24**	**Closing Balance 31/03/25**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Reserves Position per Appendix 2	**471,887**	(214,792)	60,633	317,728	230,284	195,829
Potential revision to Bus Lane Enforcement reserve	0	(1,000)	0	(1,000)	(1,000)	(1,000)
Potential revision to On Street Parking reserve	0	(960)	0	(960)	(960)	(960)
Potential revision to Business Rates reserve	0	(1,000)	0	(1,000)	(1,000)	(1,000)
Revised reserves position following amendment	**471,887**	**(217,752)**	**60,633**	**314,768**	**227,324**	**192,869**

Council should note that reserves have been built up over time, are earmarked for specific purposes and are required to be maintained at a sustainable level. To that end they can only be used once. 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.