Public Document Pack

MANCHESTER
CITY COUNCIL

Resources and Governance Scrutiny Committee

This is the 2023/24 Budget Papers Pack containing all the budget related documentation to be considered at the Resources and Governance Scrutiny Committee on 27 February 2023 and Budget Council on 3 March 2023

Agenda

5. The Council's Budget 2022/23 - budget papers pack
In connection to the above, the following documents were considered by Executive on 15 February 2023.

(5a) Revenue Budget Monitoring
(5b) Capital Programme Budget Monitoring 2022/23
(5c) Medium Term Financial Strategy and Revenue Budget 2023/24
(5d) Corporate Core Budget 2023/24
(5e) Children and Education Service Budget 2023/24
(5f) Public Health Budget 2023-26
(5g) Adult Social Care Budget 2023/24
(5h) Neighbourhoods Directorate Budget 2023/24 – Part 1
(5i) Neighbourhoods Directorate Budget 2023/24 – Part 2
(5j) Zero Carbon 2023/24 Budget
(5k) Homelessness Directorate 2023/24 Budget
(5l) Growth and Development Directorate Budget 2023/24
(5m) Housing Revenue Account 2023/24 to 2025/26
(5n) Schools Budget 2023/24
(5o) Capital Strategy and Budget 2023/24 to 2025/26
(5m) Treasury Management Strategy Statement 2023/24, including borrowing limits and annual investment strategy

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

https://democracy.manchester.gov.uk/ieListDocuments.aspx?CId=137&MId=4080&Ver=4

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

(The Constitution provides that amendments to Executive's budget recommendation are to be submitted by 4:00pm on the seventh day after the meeting of Executive)

Information about the Committee

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

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

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

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

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

Smoking is not allowed in Council buildings.

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Further Information

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This agenda was issued on **Friday, 17 February 2023** by the Governance and Scrutiny Support Unit, Manchester City Council, Level 2, Town Hall Extension, Manchester M60 2LA

Manchester City Council
Report for Resolution

Report to: Executive – 15 February 2022

Subject: Revenue Monitoring to the end of December 2022

Report of: Deputy Chief Executive and City Treasurer

Purpose of the Report

The report outlines the projected outturn position for 2022/23, based on the latest expenditure and income activity as at the and future projections.

Recommendations

The Executive is requested to:

(i) Note the global revenue monitoring report and forecast outturn position which is showing a £3.5m overspend.
(ii) Approve the use of unbudgeted external grant funding (para 3.2).
(iii) Approve the release of reserve funding (para 3.3).
(iv) Approve the allocation of budgets to fund Utilities Inflation (para 3.4 and 3.5).
(v) Approve the request for contingency funding (para 3.6 and 3.7).
(vi) Approve the allocation of budgets to fund Price Inflation (para 3.8 and 3.9).

Wards Affected: All

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

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

A progressive and equitable city: making a positive contribution by unlocking the potential of our communities.	
A liveable and low carbon city: a destination of choice to live, visit and work.	
A connected city: world class infrastructure and connectivity to drive growth.	

Implications for:

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

Risk Management – as detailed in the report.

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

Financial Consequences – Revenue

The report identifies a forecast overspend of £3.5m for 2022/23, based on activity to date and projected trends in income and expenditure. The position includes government funding confirmed to date, the impact of inflation and the agreed pay award.

This report focuses on 2022/23, however the record levels of inflation on the Council's cost base will have a significant impact on the Council's finances for a number of years. With the scale of funding pressures and future resource constraints, it is important that the Council holds a robust position on reserves and maintains the ability to deal with issues that arise during the financial year.

Financial Consequences – Capital

There are no capital consequences arising specifically from this report.

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Background documents (available for public inspection):

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

Revenue Budget Report - Executive Meeting February 2022
Medium Term Financial Strategy 2022/23 to 2024/25 -Executive Meeting February 2022
Period 7 Revenue Budget Monitoring Report - Executive December 2022

1.0 Introduction

1.1 This report provides an overview of the Council's current financial position for 2022/23. The Council is forecasting to overspend against its budget for 2022/23 by c£3.5m. The main drivers of the overspend are the pay award and the reductions in car parking and Christmas markets income and Home to School Transport. Overall there is an improvement of £4.1m from Period 7, which was the last report to Executive.

1.2 The position reflects the release of contingencies £0.3m, reduced price inflation requirement of £1.7m and a £0.6m reduction in the budget required for electricity. These amount to a £2.6m reduction in the corporate overspends. There is also an increase of £1.5m in Corporate Resources due to the redistribution of the Business Rates levy surplus.

2.0 Financial position 2022/23

2.1 As stated above, the current forecast is a £3.5m overspend, an improvement of £4.1m since the last report to Executive in December. It is positive that the main demand led services within Adults, Children's and Homelessness are underspending or breakeven, which puts us in a better position than many other councils and reflects the investment in prevention strategies over the last few years.

2.2 The budget is prepared on the basis of the best information available at the time and a robust consideration of the risks which may emerge. Risks are managed by holding a corporate contingency budget and reserves for specific risks. The funds are made available when the budget requirements are clearer.

2.3 The 2022/23 budget recognised that inflation would be higher than previous years and therefore included £22.4m for pay, utilities and price. For context, in the years to 2019/20 the annual pay and prices inflation budgets averaged £8m per annum. The updated forecast requirements is £28.4m, against a budget of £22.4m, an overspend of £6m. This is partly offset by underspends in other corporate budgets totalling £0.9m including historic pensions and release of contingency giving a corporate budget overspend of £5.1m.

2.4 There was a redistribution of the surplus of the Business Rates Returned Levy held in the national levy account in 2022/23. The national amount has been estimated at £100m which equated to £1.499m for Manchester; paid in 2022/23.

2.5 The service directorates are forecasting an overall small underspend of £143k. Overspends in Neighbourhoods (£2.5m) and Children's (£0.6m) are partly offset by underspends in Adults (£1.8m), Core (£0.8m), and Growth and Development (£0.6m). The pressures include the ongoing income shortfalls mainly in Neighbourhood Services (off-street parking), as well as pressures on SEN transport.

2.6 The position around Adults social care remains volatile with increasing demand pressures expected as patients are discharged from hospital requiring social care. It is therefore proposed that any additional underspend in year around the

Adults position should be held in reserve to help mitigate further pressures in 2023/24.

2.7 The Directorate savings and cuts for 2022/23 total £7.8m. Of these £1.3m (17%) are medium risk and £6.5m (83%) are low risk and on track to be achieved.

2.8 Any remaining overspend which cannot be mitigated in year will be a call on the smoothing reserve or the general fund reserve. The smoothing reserve has been established to assist with timing differences between savings plans being developed and delivered. Any unplanned use in the current year would reduce capacity to support future years savings programme and reduce the Council's overall resilience.

2.9 Since the last report to Executive there have been a number of new grant announcements and inflation drawdowns that require Executive approval to add to the budget. These are detailed in Section three for consideration.

2.10 Full details about of the budget forecasts and variances by Directorate are provided at Appendix 1. The forecast position includes the additional grant funding, recommended budget increases and virements set out in section 3 for the consideration and approval of Executive.

3.0 <u>Budget changes for consideration</u>

3.1 Executive are asked to consider the following additional budget increases and adjustments.

New Grants announced in year

3.2 Since the 2022/23 budget was approved there have been additional grant notifications as follows:

- Highways - Traffic Signal Optimisation - £0.5m – this grant has been awarded for upgrade and maintenance of traffic signals and associated equipment. TfGM are required to carry out the majority of the works with MCC recovering staff time and over costs.
- Highways - Review of City Centre Controlled Parking Zone and on street tariffs (Parking Reserve) - £50k. This is an additional £50k for the feasibility study estimate of £100k brought to Exec in P2 to review the current city centre controlled parking zones and on-street tariffs to ensure that they are properly aligned with MCC transport strategies, and for consultation, advertising/signage and reconfiguration of equipment. Additional costs have been identified along with an extra 2 sites being added to the study.
- Homelessness – Homelessness Prevention Grant Winter 2022/23 Top-Up. £0.530m. The Government announced an additional £50 million made available to local housing authorities in England in 2022/23 through a top-up to the Homelessness Prevention Grant. This additional funding is intended to prevent vulnerable households from becoming homeless and manage local homelessness pressures. £0.530m has been allocated to Manchester which will be utilised to support the Cost-of-Living Response.

- Corporate Core – Energy Bill Support Scheme: Alternative Funding Grant. £2.300m will be provided to the Council to facilitate the scheme on an agent basis, whereby the Council acts as an intermediary of Government to make grant payments. The scheme will provide support for households not automatically eligible for support via the Energy Bills Support Scheme which provides £400 direct discount to bills. The scheme will target households who are responsible for paying for energy used in their primary dwelling as part of a service charge, rent or other arrangement, including those on commercial meters and residents in care homes, temporary or supported accommodation, park homes or on authorised traveller sites.

Reserves

3.3 There is a request for use of reserves over and above that agreed as part of the approved 2022/23 budget. This relates to Manchester Aquatics Leisure Centre of £0.6m. The Manchester Aquatics Leisure Centre is partially closed and not due to re-open until early 2023/24. The draw down will mainly offset the income losses from the Leisure provider GLL for 2022/23. By offsetting the shortfall on income for the Aquatics Centre it will allow us to maintain a service for users in the training pool, which does not generate sufficient income to cover revenue costs. This fund will bridge the gap and deliver a much-needed service in the city.

Utilities Inflation

3.4 The budgets required to cover gas increases total £3.246m. The directorate gas requirements are as follows:

- Children's Services - £258k
- Adult Social Care - £76k
- Neighbourhood Services - £0.683m
- Homelessness - £132k
- Growth and Development - £89k
- Corporate Core - £2.008m

3.4 At the previous meeting approval was sought to allocate budgets for electricity increases totaling £9.129m. Further review indicates £600k of this is not required and has therefore been released improving the overall position.

Virements

3.5 As part of the ongoing support to residents facing the cost of living crisis the following initiatives are proposed:

3.5.1 Cost of living payments to internal Foster Carers of £300, expected to cost £150k in total.

3.5.2 Payments to households who missed out on the Universal Credit cost Living autumn payments, estimated at £369k

3.6 The £519k required has been made available through:

- £300k which was identified to support people to remain in their accommodation and reduce homelessness. This is now covered through the increased Homelessness prevention grant referenced at paragraph 3.2
- £219k released through lower than anticipated applications for Discretionary Housing Payments

Request for release from contingency

3.7 There is £600k set aside in corporate contingency for unexpected costs which arise in year. Approval to release £307k relating to ICT system security was obtained at period 7. The remaining balance of £293k has now been released.

3.8 In addition, there was £460k contingency held for variations to the waste disposal costs. This is not needed in 2022/23 therefore has been released to support the increased costs of the waste collection contract.

Price Inflation requests

3.9 The 2022/23 budget allowed for inflationary budget increases of £4.5m. At period 7 approval to transfer budgets to directorates of £3.8m was obtained. This included £1.5m relating to care market uplifts, which was part of a total estimated requirement of £12.1m. Discussions are ongoing between commissioners and care providers to try and maximise take up however it seems unlikely the full amount will be required this year. The proposed 2023/24 budget elsewhere on the agenda has addressed the on-going impact into 2023/24.

3.10 Contract variations relating to the waste collection contract have now concluded. The required additional budget totals £1.895m to provide for inflationary pressures mainly relating to pay and utilities. It is proposed this is funded through waste contingency of £460k and inflation funding of £1.435m.

4.0 Conclusion

4.1 This report sets out the significant risks faced this year, which mainly relate to external factors around inflationary pressures and continued income shortfalls. Service departments are largely managing within approved budgets and savings delivery is on target. The pressures are resulting in a forecast net overspend of £3.5m this year.

4.2 The inflationary pressures outlined in this report are expected to continue into future years. This coupled with funding uncertainty increases the risks associated with setting a balanced and sustainable long-term financial plan and represent a deterioration of our financial position if no action is taken.

4.3 It is therefore vital that the Council continues with its programme of innovation and reform and develops its operating model to help tackle these challenges and keep the Council’s finances stable and sustainable. In November 2022 scrutiny committees were presented with cuts and saving options totalling £42.3m over three years for consideration. The December 2022 finance settlement gave the opportunity to review the quantum and phasing of savings. It is now proposed that options of £36.2m are considered by scrutiny committees in February 2023.

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Executive –15th February

Revenue Budget Monitoring Report: 2022/23 Period 9

Financial Executive Summary

- The Council is forecasting to overspend against its budget for 2022/23 by c£3.5m. The main drivers of the overspend are the pay award and commercial activities. These are offset by underspends in Adult Social Care, Growth and Development and Corporate Core, and a redistribution of the business rates levy surplus of £1.5m.
- The position has improved by c£4.1m since the last report to Executive. This is predominantly due to a £2.6m reduction in corporate costs due to a decrease in inflationary requirements and the release of contingency, an increase in the business rates levy surplus of £1.5m, and a £0.660m reduction in Neighbourhood Services due to staffing underspends and an improvement in the net position of the Local Investment Fund. These improvements are partially offset by an increased overspend in Childrens Services of £0.640m mainly due to increased LAC placement costs.
- Whilst workforce budgets are forecast to be underspent, they include the deployment of an increasing amount of agency resource (currently running at £1.6m per month).
- Approved Directorate savings for 2022/23 total £7.837m. Of these £1.346m (17%) are medium risk and £6.491m (83%) are low risk in that they are on track to be achieved.

Overall MCC Financial Position

Integrated Monitoring report Period 9 total variance

Summary P9	Original Budget	Revised Budget	Forecast Outturn	Variance	Movement since last report (P7)
	£000	£000	£000	£000	£000
Total Available Resources	**(690,599)**	(706,031)	**(707,541)**	(1,510)	(1,469)
Total Corporate Budgets	140,652	108,650	113,841	5,191	(2,624)
Children's Services	129,020	130,060	130,647	587	640
Adult Social Care	227,094	189,587	187,775	(1,812)	(91)
Public Health		42,685	42,685	0	0
Neighbourhoods Directorate	91,704	101,454	103,969	2,515	(660)
Homelessness	27,346	28,475	28,475	0	0
Growth and Development	(9,752)	(8,772)	(9,397)	(625)	(101)
Corporate Core	84,535	113,892	113,084	(808)	197
Total Directorate Budgets	**549,947**	**597,381**	**597,238**	**(143)**	**(15)**
Total Use of Resources	**690,599**	**706,031**	**711,079**	**5,048**	**(2,639)**
Total forecast over / (under) spend	**0**	**0**	**3,538**	**3,538**	**(4,108)**

Corporate Resources £1.5m over-achievement

Resources Available	Annual Budget £000	Projected Outturn £000	Projected Variance from Budget £000	Movement from Last Report £000
Retained Business Rates	(158,337)	(159,836)	(1,499)	(1,499)
Council Tax	(208,965)	(208,965)	0	0
Other Specific Grants	(119,591)	(119,631)	(40)	0
Business Rates Grants	(77,216)	(77,216)	0	0
Dividends	0	0	0	0
Use of Reserves	(141,922)	(141,922)	0	0
Fortuitous Income	0	29	29	29
Total Corporate Resources	(706,031)	(707,541)	(1,510)	(1,469)

Corporate Resources - Financial Headlines

- Retained business rates - Business rates returned levy - c£1.5m. There was a redistribution of the surplus held in the national levy account in 2022/23. The national amount has been estimated at £100m which equates to £1.499m for Manchester based on SFA distribution; paid in 2022/23.
- Other specific grants – this remains at £40k overachievement: £66k over-achievement on the Council Tax Subsidy; £24k Covid Test and Trace Support grant income for 2021/22 being higher than accrued; £50k under-achievement on the Education Services Grant following confirmation of the final grant allocation.
- Fortuitous income: Royal Mills rental income relating to 21/22 was £29k less than accrued.
- Business Rates Collection as at the end of December is 80.89% (excluding account credits) which represents a return to pre covid levels and is an improvement on 75.12% in 2021/22, 64.41% in 2020/21 and 78.21% in 2019/20.
- Council Tax Collection at end of December is 70.91% which compares to 71.71% in 2021/22, 72.07% in 2020/21 and 74.04% in 2019/20. The reduced collection could relate to the Cost-of-Living Crisis and financial difficulties faced by residents, this will be closely monitored.
- £110m of the Use of Reserves budget reflects the timing of the Business Rates S31 grants for Extended Retail Relief which was received in 2021/22 but is applied to offset the 2022/23 Collection Fund Deficit.
- Invoices paid within 30 days is 96.16%, against the target of 95%.
- £4.7m (16.2%) of pursuable debt is over a year old and still to be recovered by the Council. Progress is being made in resolving outstanding disputes which are preventing payment, this excludes council tax and business rate arrears.

Corporate Budgets

Corporate Budgets £5.191m overspend

Planned Use of Resources	Annual Budget £000	Projected Outturn £000	Projected Variance from Budget £000	Movement from Last Report £000
Other Corporate Items	66,149	66,037	(112)	0
Contingency	293	0	(293)	(293)
Inflationary Budgets and Budgets to be Allocated	(6,052)	0	6,052	(2,342)
Apprentice Levy	1,029	1,029	0	0
Levies	37,915	37,902	(13)	0
Historic Pension Costs	7,316	6,873	(443)	11

Transfer to Budget Smoothing Reserve	2,000	2,000	0	0
Total Corporate Budgets	108,650	113,841	5,191	(2,624)

Corporate Budgets - Financial Headlines

The forecast £5.191m overspend is detailed below:

- Other corporate items include the transport levy and capital financing which are both forecast to be on budget.
- The Bad Debt provision for Council wide debt pre-2009 is also shown here. Before April 2009 the bad debt provision was provided centrally. After then it is provided by directorates. There is a forecast release from provision of £112k due to payment plan arrangements being secured.
- £600k was provided as unallocated contingency for issues which arise in year. £307k has been allocated leaving a balance of £293k to be released.
- Inflationary budgets are expected to overspend by £6.052m as follows:
    - The employer's pay award offer for 2022/23 has now been agreed at a flat £1,925 on all NJC pay points 1 and above, an overall average increase of 7%, costing £13.6m in total. The budget was based on a 3% increase (£6.4m). This has resulted in additional costs of £7.3m for 2022/23, a reduction of £2.2m from the initial high-level estimate previously reported. The reduction reflects the higher level of vacancies, and the recharging of some pay costs funded by external charges and capital schemes where applicable.
    - A reduction of pay costs of £0.627m for the reversal of the 1.25% NI rise announced by the Government in October, effective November 22.
    - The budget allowed for £11.5m of anticipated utility cost increases. Following the government's Energy Bill Relief Scheme, announced 21 September the latest forecast is £11.686m. The projected overspend of £186k has reduced by £0.690m since P7.
    - Price inflation budgets were set at £4.5m and the latest estimate is £3.7m; an underspend of £0.765m which is a favourable movement of £1.652m since P7. The improvement mainly relates to care market uplifts which can be covered within available directorate budgets, reducing the call on inflation by £1.5m.
- Historic Pension Costs: Forecast to underspend by £443k (6.1%) due to a reducing number of recipients.
- Note, the Consumer Prices Index (CPI) rose to 10.5% in the 12 months to December 2022, a decrease of 0.2% since November.

Children's Services

3a. Children's and Education Services - £0.587m overspend

	Annual Budget £000	Net Actual spend to date £000s	Outturn £000	Variance £000	Movement since last report
LAC Placements	45,751	27,314	44,362	(1,389)	1,136
LAC Placement Services	7,533	6,352	7,788	255	59
Permanence & Leaving Care	13,165	10,081	13,628	464	303
Safeguarding Service Areas	37,789	29,952	37,811	21	(754)
Children's Safeguarding	104,237	73,699	103,589	(648)	745
Education Services	7,056	5,662	7,394	338	(166)
Home to School Transport	11,891	6,920	12,694	803	(52)
Targeted Youth Support Service	841	812	841	0	0
Education	19,788	13,393	20,929	1,141	(218)
Strategic Mgmt. & Business Support	6,035	4,438	6,129	94	112

Children's & Education Services	**130,060**	**91,530**	**130,647**	**587**	**639**

Children's and Education Services - Financial Headlines

Children's Services returned £2m of their initial budget to support the overall in year pressures and contribution to their 2023/24 savings as part of the Period 2 monitoring. This forecast outturn position is therefore against the lower revised budget of £130.060m.

The overall position as at Period 9 is forecasting a year end overspend of £0.587m, which is made up of:

- £1.389m LAC placement underspend - mainly due to placements being 145 below the budgeted number, including a significant net reduction of 11 placements in External Fostering since period 7. Health contributions have increased this period and off-set some of the increased spend in External Residential placements and costs. The service is progressing with (£0.8m) of investment into specialist provision and an increase in provision (reopening of Olaniyan, and 4 additional placements by Spring 2023). This alongside capacity to accelerate those providers seeking Ofsted registration is expected to help mitigate some of the significant pricing pressures in the external market.
- £255k LAC placement services overspend is due to pressures on travel and premises costs for the Leaving Care Service and needing to fill vacancies in the Fostering Service by agency to ensure Caseworker caseloads remain at a safe and manageable level.
- £464k Permanence and Leaving Care overspends mainly due to an overspend against the Section 17 preventative budgets, this is partially offset by No Recourse to Public Funds and Unaccompanied Asylum Seeker Children's grant.
- £21k Safeguarding Service overspend. Family Hubs has supported the Early Years and helped to off-set Localities and Care4Children social work agency pressures. The Deputy DCS and Heads of Localities are reducing dependence on agency whilst further promoting recruitment.
- £1.141m Education services pressures mainly relates to increased pressures in Home to Schools Transport (£0.803m) and short breaks (£403k). Home to School Transport costs have increased due to a combination of fuel prices, increased eligible children and a shortage in provision in the market pushing prices up. Both services are currently being reviewed. This work will help to shape and inform service transformation. It is expected that the review's recommendations will enable the service to manage down the current overspends in both areas. A comprehensive review of 'short-breaks' offer is being undertaken to strengthen decision making and review arrangements.
- £94k Strategic Management and Business Support overspend related to additional commissioning costs.

The £0.639m movement since period 7 relates to:

- £1.136m additional LAC placement costs, brought about by an increase in unregistered placements and costs.
- £59k adverse movement in LAC placement services to fund the initial project membership costs for the Fostering (Mockingbird) network.
- £303k favourable movement in Permanence and Leaving Care with an increase in Supported Accommodation placements
- £0.754m favourable movement in Children's Safeguarding Areas due to use of Family Hubs grant and following updates to Localities recruitment assumptions.
- £218k favourable movement in Education Services due to reduction in Short Breaks and Home to School Transport pressures through deep-dive reviews.
- £112k adverse movement in Strategic Management and Business Support – this mainly relates to additional commissioning costs in the main relating to International Recruitment programme.
- Controcc is a Social Care financial system, the level of outstanding debt for External residential and External Fostering in Controcc, totals £1.3m at the end of December 2022 and is included in the forecast.

Children's Services – Dedicated Schools Grant

3b. Dedicated School Grant (DSG) - £0.761m in – year underspend leading to an overall cumulative deficit £1.748m

	Annual Budget	Actual to Date	Projected Outturn	Variance	Movement since last report
	£000	£000	£000	£000	£000
Schools Block	197,772	164,121	197,717	(55)	(167)
Central Services Block	3,868	3,504	3,930	62	(120)
High Needs Block	103,155	83,041	102,896	(259)	(151)
Early Years Block	39,972	28,395	39,464	(508)	(226)
Total in-year	**344,768**	**279,061**	**344,006**	**(761)**	**(664)**
Deficit b/fwd (£2.702m less school clawback £193k)				**2,509**	
Overall DSG position	**344,768**	**279,061**	**344,006**	**1,748**	**(664)**

Dedicated Schools Grant (DSG) in 2022/23 totals £633m, of which £289m is top sliced by the Department for Education (DfE) to pay for academy budgets. This includes additional supplementary grant funding for 2022/23 provided for the high needs block of £4.034m. The DSG in year position is showing an **underspend £0.761m,** reflecting updates across all four blocks, including early years updated with recent activity data and further progress that has been made in relation to the high needs budget recovery programme. The overall position, the cumulative deficit shows a **£1.748m deficit**, an improvement of £0.664m since period 7.

The primary reason for the overall DSG deficit is the brought forward deficit from 2021/22, driven by overspend against the high need block (HNB). The service is working through a three-year HNB recovery plan, focusing on managing demand and identifying efficiencies to help combat these pressures.

The Local Authority is cognisant that if they are unable to manage down the deficit it will be required to take part in the DfE sponsored Safety Valve project. Under this project savings targets and recovery plan would need to be agreed with the DfE.

Adult Social Care / Manchester Local Care Organisation

Adult Social Care - £1.812m forecast underspend

Service Area	Approved Revenue Budget	Actual to date	Outturn (total)	Annual Over/ (Under) spend	Movement from Last Report
	£'000	£'000	£'000	£'000	£'000
Long Term Care:					
Older People/Physical Disability	45,288	33,208	46,307	1,019	(35)
Learning Disability	56,151	36,150	55,448	(703)	(1,012)
Mental Health	24,504	13,188	23,991	(513)	67
Disability Supported Accommodation Service	15,520	13,225	17,561	2,041	(157)
Investment funding	1,990	- 99	0	(1,990)	(783)
Sub Total	**143,453**	**95,672**	**143,307**	**(146)**	**(1,611)**
Short Term Care:					
Reablement/Short Term Intervention Team	6,906	4,643	6,357	(549)	38
Short Breaks/Respite/Day Centres/Neighbourhood Apartments	5,528	3,199	5,170	(358)	(131)
Equipment & Adaptations	4,491	4,775	4,243	(248)	(263)
Carers/Voluntary Sector	3,348	2,340	3,339	(9)	48
Sub Total	**20,273**	**14,957**	**19,109**	**(1,164)**	**(308)**
Infrastructure and Back Office:					
Social Work teams	17,140	11,498	16,190	(950)	(65)
Safeguarding/Emergency Duty	3,332	2,333	3,498	166	(77)
Brokerage teams	1,477	1,188	1,441	(36)	(38)
Management and support	3,913	5,676	4,230	318	2,009
Sub Total	**25,862**	**20,695**	**25,359**	**(502)**	**1,829**
Total	**189,587**	**131,324**	**187,775**	**(1,812)**	**(90)**

Overview

The forecast is an underspend of £1.812m, an increase in the underspend of £90k from Period 7. The financial savings applied to the budget have been managed and client activity levels are within the budget assumptions. The combination of cashable savings and cost avoidance indicates that the BOBL programme is helping citizens to achieve independence and better outcomes, whilst preventing, reducing and delaying demand into adult social care. These achievements have been supported by operating a strengths-based approach and implementing an improved short-term offer, operating model and improved commissioning practices. Progress remains impacted by recruitment and the work continues to fill posts with tailored recruitment initiatives.

The government announcement of the winter discharge fund is to be deployed on relieving the pressures across hospital services through the resilient discharge programme. Detailed winter planning arrangements have been implemented. The reported position allows for utilisation of £0.743m of the winter discharge funding to offset the pressure on discharge to assess to support timely discharge of clients either back to their own homes with support or into a residential setting. The next three months are a critical period and it is expected all of the funding available (£2.2m direct to the Council and £3.8m through the GM ICS) will be deployed in accordance with the plan agreed with partners.

Key considerations within the forecast include:

- The forecast includes the full delivery of the £4m savings target through expected income levels and the delivery of effective demand management;

- Staffing budgets are forecast to have minimal recruitment between now and the end of the year, unless confirmed start dates are agreed with service managers. NB: there are currently 70 (headcount) undergoing pre-employment checks;
- £2m of one-off income returned to the council from external accountants following an audit of unspent direct payments and covering a number of financial years;
- The return of one-off unspent direct payments and other variations detailed results in £4.5m of the £5.5m system support funding from reserves, not being required in year. A review of the reserves position will take place in the 2023/24 as part of the outturn review;
- There is up to 80% deployment of £12m funding for the annual uplift to the costs of care, including for the Real Living Wage increases (£8.759m to date, with more to be confirmed for P10), £2.787m of corporate price inflation has been released in 2022/23; and
- Through effective demand management, all of the demographics budget has been released into the reported position.

The key financial risks are:

- The financial position on Disability Services Accommodation Service DSAS (£2.041m forecast overspend). Whilst mitigated in the 2023/24 budget assumptions, there is £0.800m risk in relation to waking nights costs;
- Uptick on activity over the remainder of the financial year might impact on 2023/24 budget assumptions. Winter discharge arrangements may also impact the position but the forecast reflects that any increase in discharges will be covered by funding from central government in 2022/23; and
- There is significant work underway to fully programme manage the delivery of the proposed saving programme ahead of 2023/24.

Long Term Care

Overall the forecast on long term care is a £0.146m underspend (increase of £1.611m from Period 7). The key pressure is within DSAS (£2.041m overspend). There is a pressure across residential and nursing budgets of £500k (driven by higher than budgeted nursing costs) and of £305k on homecare due to increasing client numbers. This is offset through £2m of one-off income returned to MCC from external accountants following an audit of direct payments (£695k on Learning Disability and £1.300m on Older people); releasing the full allocation of demographics funding (£1.880m) and unutilised investment funding (£0.419m) and an underspend on Mental Health (£0.513m) and overspend on Other Care (£0.461m). The return of one-off unspent direct payments and other variations detailed allows use of £4.5m of the £5.5m smoothing reserve to be deferred and remain protected for a further year to support the proposed savings programme 2023-26, of which £1.5m is within the long term care budget.
The number of clients supported in residential and nursing provision (all ages) has decreased by 5 since Period 7 to 825, a decrease of 136 from the start of the year. A significant number of nursing packages commissioned are above normal care package rates and there is a forecast overspend in older people nursing of £0.861m and a further pressure of £111k on <65 nursing provision. Practice are reviewing all cases and package arrangements.

The Resilient Discharge Pathway 3 D2A beds is part of the 2022/23 budget strategy and clearly interfaces with the budget for residential and nursing care. The forecast outturn is £0.176m overspend. Gross costs are £6.3m which is funded £2.2m recharge to GM ICB (as per the risk share agreement), £1.7m winter discharge fund and net MCC budget of £2.2m. In the year to date 293 citizens have been through the D2A pathway and there are currently 115 patients in provision and being monitored on a 4 week D2A funded pathway. For packages started after the 1 April 2022, 11 clients have gone home independent after the D2A intervention and 44 with a package of care.

At period 9 there is a 41 net increase in client numbers supported through homecare packages from period 7. The weekly number of homecare hours commissioned at period 9 is 33,338 which is 2,127 hours a week higher than period 7 and overall is 4,949 hours a week higher than the start of the year (17.43%). This is the highest increase in hours recorded and work is underway to check the validity of the hours recorded, as a number of clients are changing care companies as the homecare market fluctuates across the city. The forecast financial position is an overspend of £0.305m reflecting actual payments to date, known commitments for the remainder of the year and forecasting practice to reflect that on average up to 20% of commissioned hours are not drawn down.

The commissioning of Extra Care provision has a projected year end underspend of £201k which reflects homecare hours within the Extracare settings. There are now 707 rental based Extracare units with 11 designated as short term apartments. Occupancy on the extracare provision is approximately 94%. Extracare provision is a key component of the BOBL cost avoidance strategy.

Within complex care, there has been a net reduction of 6 Learning Disability clients at period 9 from period 7 to 1,124 which has decreased from 1,156 at the start of the year. The main driver for the change in the learning disability forecast is the return of £0.695m of unused direct payments from the external accountants. On Mental Health, client numbers have reduced by 3 from period 7 to 669, and 30 since the start of the year with a corresponding forecast underspend of £0.513m. However, as reported last time there has been substantial change in the mental health cohort supported across the year. The volatility regarding starters and leavers has stabilised, with a net change in 2 across residential and nursing provision (6 leavers and 4 starters), and a decrease of 1 in supported accommodation.

Client numbers within In-house Supported Accommodation are 174 and there are currently 14 voids. This is unchanged from period 7. The overspend forecast is £2.041m. It is estimated that £0.830m of the overspend is accounted for by agency usage on waking nights due to fire safety considerations. The agency spend forecast to the end of the year is now £7.4m (was £5.8m at outturn). Condition survey work has been completed and a programme of capital works is in development and when complete will lead to reduced agency support in the longer term. The frontline posts in Disability Supported Accommodation Services, along with Day Services, are currently held as part of the wider Provider Services Review. This means that there will be a relatively small shift in terms of new recruits into the service, and as a result of natural turnover, overall agency usage is likely to increase.

Short Term Care

Overall the forecast on short term care is an underspend of £1.164m. This mainly reflects the vacancy position on Reablement (£0.548m) and forecast underspend within Short Breaks/Respite/Day Centres/Neighbourhood Apartments (£358k), Equipment and adaptations of (£248k) with other minor net underspend variations (£10k). Overall an increase in forecast underspend of £308k from period 7. This is due to unsuccessful recruitment to specialist posts in Equipment and Adaptations and a revised forecast resulting in additional fee income.

There is a forecast underspend within Short Breaks/Respite/Day Centres/Neighbourhood Apartments (£0.358m) due to reduced numbers of clients accessing services. As referred to above, there is also a forecast underspend on equipment and adaptations (£0.248m).

Infrastructure and Back Office

Overall, the forecast underspend is £0.502m a decrease of £1.829m from period 7.

The forecast underspend on social work teams is (£0.950m) comprising £384k on the hospital teams, £289k on INT teams and £277k on specialist learning disability teams. Overall this equates to 64.2 FTE, of which 26.5 FTE have been appointed to and are going through pre-employment checks, or are being held for Social Work apprentices. All remaining vacancies are out to recruitment. The majority are covered by agency in the interim.

The forecast overspend on safeguarding (£0.166m) relates to the pressure on best interest assessments in relation to Deprivation of Liberty Standards. The 2023/24 proposed budget assumption include addressing the budget gap.

Management and support is forecast to overspend by £0.318m which includes:

- Release of £1.553m investment funding and £348k of BOBL investment
- Reduction in deployment of the smoothing reserve (£3.000m) as outlined above;
- £450k of BCF funding, due to careful consideration of recurrent deployment priorities and recruitment delays;
- An underspends on Business Support of £420k due to challenges across the recruitment market. To mitigate this, all vacancies are now being pooled and will be advertised together in a campaign to attract more candidates; and
- An overspend of £89k across back office and strategic management areas.

Public Health

4b. Public Health – Balanced Budget

	Annual Budget £000	Net actual spend to date £000	Outturn £000	Variance £000	Movement since last report £000
Public Health Core Staffing	2,387	1,459	2,015	(372)	(181)
Public Health - Children's Services	4,222	3,040	4,204	(18)	(18)
Early years - Health Visitors	10,676	8,007	10,676	0	0
Drugs and Alcohol	8,989	5,601	8,934	(55)	1
Sexual Health	8,295	5,504	8,032	(263)	(137)

Wellbeing (includes ZEST)	6,058	3,498	5,960	(98)	(142)
Other	2,059	(255)	1,066	(993)	(1,005)
Contribution to Reserves	0	0	1,798	1,798	1,484
Total	42,685	26,855	42,685	0	0

Public Health

- Public Health are projecting to balance, with a planned contribution to the Public Health reserve of £1.798m for investment in the Making Manchester Fairer programme. There are underspends on the staffing budgets of £372k due to vacant posts. Wherever it is appropriate to do so, external funding is being maximised to free-up mainstream funding. There are underspends on the activity-based contracts for sexual health and drugs and alcohol due to reduced numbers accessing services. A re-prioritisation of preventative schemes across Public Health is underway and the Director of Public Health has confirmed that spend will be maximised in 2022/23. Negotiations with Health regarding 'Agenda for Change' uplifts are being finalised and budget is held within the 'other' line above until details are transacted. Any slippage in 'other' will result in a request to carry the projected underspend forward into 2023/24 to support with new initiatives, particularly where these relate to delivering the Marmot objectives.
- The Marmot task group are currently considering the arrangements for 'kick-starter' schemes for priority areas with the potential for invest to save measures funding from a £3m investment fund.

Neighbourhoods

5a. Neighbourhoods overall - £2.515m overspend

	Annual Budget £000	Net actual spend to date £000	Outturn £000	Variance £000	Movement since last report £000
Neighbourhood Management & Support	1,178	1,002	1,228	50	50
Operations and Commissioning	44,505	40,747	47,469	2,964	(259)
Parks, Leisure, Events and Youth	9,479	8,843	10,302	823	150
Compliance and Community Safety	11,672	6,653	10,671	(1,001)	(276)
Libraries, Galleries and Culture	10,010	8,232	10,010	0	(59)
Neighbourhood Area Teams	3,623	2,136	3,442	(181)	(181)
Other Neighbourhood Services	274	209	274	0	0
SUB TOTAL	**80,741**	**67,822**	**83,396**	**2,655**	**(575)**
Highways	20,713	6,143	20,573	(140)	(85)
SUMMARY TOTAL	**101,454**	**73,965**	**103,969**	**2,515**	**(660)**

Neighbourhoods - Financial Headlines

Neighbourhood Services - £2.515m forecast overspend and the main variances are set out below:

<u>Operations and Commissioning</u> - £2.964m overspend – largely due to income shortfalls in off street car parking and markets

- Off St Parking - £1.971m reduced off street car parking income against budget. This is an improvement of £116k from period 7, due to increased car park usage from August onwards and the projection assumes that this level of use is maintained. As part of looking to mitigate the reduced income, new tariffs were implemented before Christmas. These better reflect the new parking behaviours and the shift away from season tickets sales, and includes revised early bird options, particularly around times that enables commuters more flexibility. The impact of the revised rates is not yet reflected in the income figures as it is too early to determine the impact. Work has also commenced to review the Councils on street and off street car parking, as well as review revenues from other enforcement activities including the bus lane enforcement. The review will include assessing the impact of the moving traffic offences enforcement, proposed new bus lane enforcement and a review of both on street and off-street parking charges to ensure they are aligned and complement each other. All enforcement income must be reinvested into improving transport infrastructure and costs of delivering the service.

- £0.9m shortfall in Christmas Markets, this is £100k improvement since last period and is due to the increased footfall to this years markets, there are still some costs to be incurred and these are forecast to be in line with budgets. The losses due to closure are time limited and discussions are ongoing with members about the use of Piccadilly Gardens for 2023.
- £249k underachievement of income due to the following markets not achieving the forecast income because of ongoing lower footfalls, Sunday Market Car Boot (£137k), Gorton (£86k), Special Events (£29k) and Markets Rights (£26k) not recovering post pandemic. Church Street Market is experiencing a higher number of vacant stalls resulting in a (£33k) income shortfall. These are partially mitigated because Piccadilly Market continues to benefit from permanent stalls and is forecasted to overachieve income by £31k, an overachievement at Longsight £31k due to increased income and an improvement in the employee forecast together with a lower than forecast utility costs. The improvement since period 7 is mainly due to improving positions on the Sunday Market Car Boot and Longsight Market.
- An underspend of £32k on Waste and Recycling due to a small saving on the 2021/22 levy.
- CCTV £200k overspent due to a change in internal recharges.
- Bereavement Services are projecting £220k higher than budget income this is due to the ongoing high demand for Manchester facilities and increased income from memorialisation.
- Pest Control is forecasting a net £60k overachievement of income due to increased commercial business.
- Fleet Services is anticipated to be £61k above budget due to a combination of increased income from vehicle hires, salary savings and a reduction in workshop rents. (£61k), this is offset by residual in year costs following the closure of Manchester Fayre.
- Grounds Maintenance has a net saving on employee costs of £44k.

Parks, Leisure Events and Youth - £0.823m overspend

- The overspend is made up of (£0.678m) Leisure overspend, a (£165k) overspend on Youth Services and a £20k underspend in Parks. The leisure overspend is due to income losses at the Manchester Aquatic Centre (MAC) car park and Abraham Moss, along with the additional costs financial support to the operators of Broadway Leisure Centre which has increased by £150k since period 7. The loss of income was attributed to the closure of facilities whilst undergoing refurbishment at both the MAC and Abraham Moss it is expected that the MAC shortfall is time limited and is forecast to recover once the facilities re open in July 2023 and Abraham Moss. These are offset by use of one off non utilisation of (£0.6m) set aside to support Covid recovery in the current financial year.
- Youth Services is forecasted to overspend by £165k due to additional costs of support for Wythenshawe Active Lifestyle Centre.
- Parks are forecasting a small employee underspend of £20k.

Compliance and Community Safety - £1.001m underspend

- This is mainly due to net forecasted staffing underspends with the improvement since period 7 being mainly attributable to the opportunity to fund staff from income as appropriate work was undertaken.

Libraries, Galleries and Culture – Balanced Budget

- Libraries are now reporting a balanced budget which is an improvement of £59k on period 7 as revised recruitment assumptions offset income losses and one-off running costs in 2022-23.

Neighbourhood Teams - £181k underspend

- The underspend relates to the net position on the Local Investment Fund (LIF) for which a bid will be made to carry forward any unspent funding.

Management and Directorate Support - £50k overspend

- The overspend is a combination of minor variations that mainly relate to additional staffing costs and unachieved income targets.

Highways - £140k underspend

- Highways have overachieved on the income budgets by £140k, and this is due to £495k over achievement of income for street permits and other income in Network Management. This is partly offset by £151k overspend on Accident and Trips due to a higher than forecast number of claims and increases in costs for Public Realm £94k and Street Lighting £110k.

5 b. Homelessness – Breakeven

Homelessness	Annual Budget £000	Net actual spend to date £'000	Projected Outturn £000	Projected Variance from Budget £000	Movement from Last Report £000
Singles Accommodation	2,720	2,194	2,796	76	76
B&B's (Room only)	4,053	8,047	4,618	565	0
Families Specialist Accommodation	323	282	192	(131)	78
Accommodation Total	7,096	10,523	7,606	510	154
Floating Support Service	1,995	1,450	1,659	(336)	43
Dispersed & Temporary Accommodation Management Fee	4,900	3,610	5,111	211	(242)
Dispersed Accommodation Total	6,895	5,060	6,770	-125	-199
Homeless Management	924	820	1,202	278	45
Homeless Assessment & Caseworkers	3,387	1,941	3,100	(287)	0
Homelessness PRS & Move On	1,639	1,022	1,277	(362)	0
Rough Sleepers Outreach	443	118	443	0	0
Tenancy Compliance	161	131	120	(41)	0
Homelessness Support Total	6,554	4,032	6,142	(412)	45
Commissioned Services	7,867	7,178	7,894	27	0
Commissioned Services Total	7,867	7,178	7,894	27	0
Asylum	63	(94)	63	0	0
Asylum Total	63	(94)	63	0	0
Total	**28,475**	**26,699**	**28,475**	**0**	**0**

Homelessness - Financial Headlines

The reported position for Period 9 is a net breakeven position. The Homelessness budgets remain a high-risk area with significant demand pressures. The Housing Solutions Service introduced, in December 2022, a programme of manager case checks on live homeless applications to ensure that cases are being progressed appropriately, Housing Solutions Officers have the necessary support with cases, homeless prevention and relief options are being identified with the ultimate result being temporary accommodation placements not needing to be made. The aim, from January 2023 onwards, is to carry out 300 case checks per week. The service, based on 6,525 per year, receives around 125 new homeless applications per week. The Housing Solutions service currently has approximately 1,850 live homeless applications. The target will ensure that by the end of March 2023 the Housing Solutions Service has the necessary understanding of case detail. This is expected to impact positively on the numbers in B&B and Dispersed Accommodation and is a key component of reducing expenditure in homelessness in the coming months and into the next financial year as the focus on prevention ends the routine use of B&B.

In addition to the Casework a number of Leasing schemes have been proposed, the details of which are being worked through with senior colleagues in MCC. Alongside the intensive prevention work, the three schemes which are designed to remove the need for routine B&B usage are;

- A 5 year leasing scheme developed by MCC to bring online 200 Temporary Accommodation properties in the coming months, final details of the proposal are being worked through and key decision has been published.

- A 5 year leasing scheme with GMCA, GMCA have secured £3.9m of funding from DLHUC to deliver 200 units of Settled Accommodation for those with the highest B&B need in GM. MCC are likely to receive between £1.9m and £3m, details of which are being worked through with GMCA.
- A 5 year leasing scheme for singles in Temporary Accommodation with DLUHC, likely funding from DLUHC of £1.1m and details are being worked through with DLUHC.

The assumptions within the breakeven reported forecast include;

- Numbers in Temporary Accommodation at the end of December remain consistent throughout the year and that any natural growth in demand will be offset by work undertaken in the Transformation Programme to increase prevention.
- Staff vacancies at present will not be filled until unless start dates have been confirmed, where Agency spend is incurred to cover vacancies this has been assumed to continue at a cost of £482k for the year. Workforce budgets in Homelessness are forecast to underspend by £251k.
- Current cost pressures in B&Bs remain until March 2023.

Overview of main cost drivers in Homelessness:

- Accommodation. Driven by the cost pressure in B&B - The average number of families placed in B&Bs in December was 218, with 508 singles in B&B accommodation. The flow and availability of dispersed temporary accommodation has decreased and is impacting on the number of families in B&B, the numbers of presentations remain high. The current net cost of B&B provision is £250k per week. A key feature of the current transformation programme is focussing on supporting people in their current accommodation and avoiding the need for people to move into temporary accommodation unnecessarily
- Dispersed Accommodation. It had been anticipated that past increases in weekly rates would stimulate the supply of properties in this area to reduce the reliance on B&B accommodation. However, in recent months providers have withdrawn properties from the scheme to let on the open market as rents across Manchester continue to increase. The current housing subsidy loss to the Council is £137k per week (£7.1m p.a.), this is the shortfall in Housing Benefit income that the Council can claim when compared to the rents paid, the housing benefit income received is 90% of the 2011 Local Housing Allowance. The shortfall for a 1-bedroom property is £60 per week, £86 for a 2-bedroom property, £92 for a 3-bedroom property increasing to £94 per week for a 4-bedroom property. Placements at the end of December were 1,608. The District Homes Pilot is now fully operational with a further 400 properties transferred to District Homes management, the housing subsidy loss incurred by the Council would be £1m higher per annum if the 400 properties being managed by District Homes were managed by the Council.

5c. Housing delivery and HRA –

Housing Revenue Account	Annual Budget	Net Actual	Projected Outturn	Projected Variance from Budget	Movement since last report
	£000	£000	£000	£000	£000
Housing Rents	(63,713)	(37,574)	(62,836)	877	(49)
Heating Income	(681)	(237)	(681)	0	0
PFI (Private Finance Initiative) Credit	(23,374)	(11,687)	(23,374)	0	0
Other Income	(979)	(557)	(1,022)	(43)	0
Funding from General/MRR Reserves	(13,188)	0	(13,188)	0	0
Total Income	**(101,935)**	**(50,055)**	**(101,101)**	**834**	**(49)**
Operational Housing R&M & Management Costs	24,038	13,168	30,621	6,583	(30)
PFI Contractor Payments	31,942	17,776	32,591	649	0
Communal Heating	1,019	52	3,195	2,176	(88)
Supervision and Management	6,604	2,608	5,720	(884)	(831)
Contribution to Bad Debts	640	40	569	(71)	0
Depreciation	18,991	0	18,991	0	0

Other Expenditure	1,463	337	1,327	(136)	(121)
Revenue Contribution to Capital Outlay (RCCO)	14,508	0	10,224	(4,284)	1,472
Interest Payable and similar charges	2,730	0	2,730	0	0
Total Expenditure	**101,935**	**33,981**	**105,968**	**4,033**	**402**
Total HRA	**0**	**(16,074)**	**4,867**	**4,867**	**353**

Movement in General/MRR Reserves	Opening Balance	Budgeted Adjustment	Forecast Closing Balance	Additional Adjustment	Revised Forecast Closing Bal
	78,052	(13,188)	64,864	(4,867)	59,997

Housing Revenue Account - Financial Headlines

The HRA expenditure budget for 2022/23 is c£102m and includes forecast capital investment of c£33m. As part of the approved budget a contribution from reserves of £13.188m was approved to contribute to the funding of this capital investment. The forecast outturn position shows that there is an overspend of £4.867m, which will be funded from reserves and is made up as follows:

Overspends of £10.285m:

- Rent collection - there is an adverse impact of £0.877m due to the current number of void properties (c1.96% year to date, against a budget of 1% void loss). An improvement plan is in place and is actively reducing the level of void properties, with a corresponding, positive increase in the number of lettings to residents and we expect this trend to continue. Right to Buys are reducing and are currently at 1.52% for the year to date against a budgeted 1.25%.
- The operational cost of the service presents a current financial pressure of £6.583m. This is due to c£1.4m management costs, and c£4.2m Repairs and Maintenance costs due to a combination of inflation and an increase in the number of voids being processed. There is also a forecast £0.9m overspend due to legal disrepair claims.
- The significant increase in energy costs, estimated at £2.176m greater than the original budget of £1.019m. These are offset by heating charges, but for 2022-23 the increase in charges was capped at 20%, with the plan being to smooth the impact over a number of years. However, actual costs have increased by in excess of 300% rather that the 80% forecast at the time. Consideration will need to be given to the recovery plan as part of the 2023-24 budget setting process.
- Increased PFI contractor payments £0.649m – Approximately £0.85m was paid to S4B in respect of Elizabeth Yarwood Court, and inflation on all three contracts has been higher than anticipated, which is not offset as the PFI credits remain unchanged. These costs are partly mitigated by c£450k arising from joint insurance savings at Brunswick. It is expected that the site will be sold as part of a future development, and at that time a receipt will come back into the HRA to offset this expenditure.

Offset by Underspends of £5.418m:

- Reduced RCCO costs £4.284m – based on the latest estimates of capital spend being lower than budgeted, and some funding switched to include the use of receipts.
- Reduced contribution to bad debts £71k.
- Supervision and Management costs £0.884m - sprinkler works on PFIs now moved into 2023-24.
- Other Income £43k
- Council Tax charges – forecast reduced by £121k, links into void and empty properties.
- Reduced payments to Tenant Management Organisations (TMO) £15k

As part of the 2022/23 budget process the 30-year business plan was broadly in balance over the life of the plan, there are several issues that could potentially affect this if mitigating actions are not identified to offset potential increased costs, they include: -

- Current high inflation rates and impact on contract costs and rents failing to keep up with these costs
- Additional capital costs for integration of Northwards ICT, Woodward Court and carbon retrofit
- Any delay or reduction in delivery of planned savings.
- Final settlement of commercial details in respect of the repairs and maintenance contract

Given that the HRA is a ringfenced account and cannot be cross subsidised with the General Fund, the implications of the current high inflation rates will have an impact on the operation of the account and will ultimately need to be covered through rents or reduced expenditure over the long term. There are several contracts which are uplifted annually in line with inflationary indices, this includes the repairs and maintenance contracts and PFI Contracts. The business plan does assume an inflationary uplift, but there is also an assumed inflationary uplift to the tenants' rents. Government have put in place a 7% cap on rent increases for 2023-24 for non PFI properties, and work is currently being undertaken to identify what the minimum rent increase would be to cover increased costs and ensure a sustainable HRA.

Looking forward there is likely to be additional asks of the HRA in respect of ensuring compliance with the Social Housing Bill and the Social Housing regulator, this will include building safety and decent homes 2. The impact is yet to be determined but it will require increased investment in the social housing stock.

Any surplus/deficit in year has to be transferred to/from the HRA reserve. At year end, it is forecast that £18.055m will be transferred from reserves at year end, leaving £59.997m in the HRA General Reserve at the end of the year.

Growth and Development

5a. Growth & Development overall - £0.625m underspend

Growth & Development	Annual Budget £000	Net actual spend to date £000	Projected Outturn £000	Variance from budget £000	Movement since last report
Investment Estate	(12,536)	(12,549)	(13,488)	(952)	0
Manchester Creative Digital Assets (MCDA)	0	412	474	474	0
Growth & Development	160	232	160	0	0
City Centre Regeneration	1,059	725	959	(100)	0
Housing & Major Regeneration	1,216	1,720	1,300	84	46
Planning, Building Control & Licensing	(621)	(1,433)	(605)	16	0
Work & Skills	1,950	1,328	1,803	(147)	(147)
Manchester Adult Education Service (MAES)	0	(246)	0	0	0
Our Town Hall Project	0	745	0	0	0
Total Growth & Development	(8,772)	(9,066)	(9,397)	(625)	(101)

Growth and Development - Financial Headlines

Overview of main variances – £0.625m Underspend

Growth & Development is forecasting a net underspend of £0.625m, and the main variances are as follows: -

- **Investment Estate - underspend of £0.952m**

  Additional income is forecast from a number of areas within the Investment Estate as follows:

  - Additional Income Wythenshawe Town Centre £470k - there has been a reduction in turnover rent (turnover based on previous years), but the recent a purchase of the property included a provision for payment of previous years rents.
  - The Arndale Centre –the latest income forecast indicates a c£290k surplus, this is mainly due to a payment of £400k from 2020/21.

  There are also staffing savings of £120k, and net additional income from across the estate (including Industrial sites, let land, Shops and Car Parks) of c£1.15m, largely following a series of rent reviews. However, this is largely offset by an increased need for bad debt provision of £0.86m.

  Finally there is a pressure of £215k at the former Barclays Computer centre due to holding costs following purchase as there are no current tenants.

- **MCDA (Manchester Creative Digital Assets) – overspend of £474k –** due to a combination of reduced income and increased utility costs.
- **City Centre Regeneration – underspend of £100k** – anticipated underspend on project costs, offset by pressures on staffing budgets.
- **Housing & Major Regeneration – overspend of £84k –** Pressures of £144k, including a loss of £94k income funding posts, are offset by £60k of other staffing savings.
- **Planning, Licensing and Building Control – overspend £16k -** Planning and Building Control income is currently below target, but staffing underspends mean that the forecast drawdown from the Planning reserve is only £25k (budget £326k).
- **Work & Skills – underspend of £147k** - this is due to expenditure that has been agreed (delivered through partners), but is now expected to be spent in 2023-24. Carry forward requests will be put forward to ensure that these commitments can be met.
- **Manchester Adult Education Service (MAES) – breakeven -** The current forecast is that £90k will be required from the reserve.

Corporate Core – £0.808m underspend

Chief Executives	Annual Budget £000	Net actual spend to date £000	Outturn £000	Variance £000	Movement since last report £000
Coroners and Registrars	2,377	1,409	2,101	(276)	0
Elections	1,506	2,242	1,506	0	0
Legal Services	9,955	9,046	9,907	(48)	222
Communications	3,447	2,354	3,413	(34)	0
Executive	984	707	966	(18)	(18)
Legal, Comms, Democratic Statutory Sub Total	18,269	15,758	17,893	(376)	204
Policy, Performance and Reform	14,494	13,698	14,308	(186)	(121)
Corporate Items	1,215	1402	1,215	0	0
Chief Executives Total	**33,978**	**30,858**	**33,416**	**(562)**	**83**

Corporate Services	Annual Budget £000	Net actual spend to date £000	Outturn £000	Variance £000	Movement since last report £000
Finance, Procurement, Commercial Gov.	8,193	6,333	7,858	(335)	(80)
Customer Services and Transactions	27,975	41,949	27,538	(437)	(85)
ICT (Information & Communication Technology)	15,877	13,077	16,214	337	0
Human Resources & OD (Organisational Development)	4,515	3,700	4,391	(124)	(124)
Audit, Risk and Resilience	1,455	1,002	1,425	(30)	0
Capital Progs, Operational Property, Facilities	21,899	13,321	22,242	343	403
Corporate Services Total	**79,914**	**79,382**	**79,668**	**(246)**	**114**
Total Corporate Core	**113,892**	**110,240**	**113,084**	**(808)**	**197**

Corporate Core - Financial Headlines

Corporate Core £0.808m underspend and the key variances are: -

- Coroners and Registrars £276k underspend due to additional income of £200k, mainly in relation to increased numbers of weddings and citizenship ceremonies, and a £76k underspend on legal costs within Coroners.

- Legal Services £48k net underspend, mainly due to £0.520m underspends on employee budgets as the service has faced challenges recruiting to vacancies partly offset by reduced external income due to a reduced level of service provision to Salford Council and an inflationary uplift for Members Allowances. It also includes a forecast £1m overspend in relation to children's services legal costs which is being funded by a transfer from reserves in 2022/23 as approved by Executive on the 22 July 2022, and there are £130k costs for Children's expert costs. The service has developed a plan around a recruitment drive to reduce external costs to mitigate this.
- Policy, Performance and Reform £186k underspend - there is reduced income on project activity £169k as there has been a loss of European funding and access to other funding does not cover staffing costs at 100%. This is offset by employee underspends of £196k due to vacancies and an underspend on running costs of £159k.
- Finance, Procurement and Commercial Governance £335k underspend due to underspend on employee budgets £255k and £80k gas commission rebate from previous years.
- Customer Services and Transactions £437k underspend due to and staffing underspend of £115k and from additional income from clamping vehicles across the city which are illegally parked £222k. This income does not fall under the Traffic Management Regulation Act and is therefore un-ringfenced income. There is an underspend on food banks of £100k which the service would like to request a carry forward to 2023/24. Within Revenue and Benefits working is ongoing to review the subsidy and bad debt requirements which may result in a change to the breakeven position
- ICT - £337k overspend due to additional security contracts, in light of the heightened cyber security risks and increased technical resources due to the increased requirements for support from the desktop and helpdesk services.
- Human Resources £124k underspend on employee budgets due to vacant posts.
- Capital Programmes - £343k overspend due to additional income in capital programmes £1.016m from major projects, £431k underspend on employees reduced by £312k legal costs , and £500k provision for settlement of an outstanding claim. , £18k legal fees and £12k supplies and services, increased security costs for Wythenshawe Hall £141k, increased rates £54k, increased metered water charges £221k delayed Operational Property savings £391k, security and other costs across the estate £141k.

The £197k adverse movement since P7 relates to:

- Legal Services annual inflationary uplift for Members Allowances £92k and children's expert costs £130k
- Policy and Performance underspend £121k of which £73k is requested as a carry forward to 2023/24 to fund project costs in 23/24.
- Finance, Procurement and Commercial Governance underspend £80k due to gas commission rebate
- Customer Service and Transactions £100k underspend on food banks which the service would like to request a carry forward to 2023/24
- Human Resources & OD £124k underspend on employee budgets and commissioning costs
- Capital Programmes, Operational Property and Facilities Management £312k legal costs, and £0.5m provision for historic claims, £18k legal costs, an increase in income of £273k and employee underspend £154k.

Directorate Savings Achievement - £1.3m medium risk (17%)

	Savings Target 2022/23					
	Gross Revenue Savings	Use of Reserve	Net Revenue Savings	Low Risk (Delivered or expected to be delivered)	Medium Risk (Delivery risk or mitigated)	High Risk (undelivered resulting in overspend)
	£000	£000	£000	£000	£000	£000
Children's Services	292	0	**292**	292	0	0
Adults and Social Care	9,386	(5,500)	**3,886**	3,886	0	0
Neighbourhoods	829	0	**829**	604	225	0
Homelessness	117	0	**117**	117	0	0
Growth and Development	59	0	**59**	59	0	0
Corporate Core	2,654	0	**2,654**	1,533	1,121	0
Total Budget Savings	**13,337**	**(5,500)**	**7,837**	**6,491**	**1,346**	**0**

Savings - Headlines

£7.837m approved savings:

- Adults - £9.386m gross savings. The detailed BOBL financial plan is operational, and the service are working to deliver the savings and cost reductions. Recurrent mitigation has been identified in-year from higher than budgeted income from means tested client contributions to care costs. All savings are now classed as Green. Through Better outcomes Better Lives demand management, the residual balance at P4 of £0.688m has now been allocated into the Older People Residential Care Budget. The return of one-off unspent direct payments and other variations detailed allows use of £4.5m of the £5.5m smoothing reserve to be deferred and remain protected for a further year to support the proposed savings programme 2023-26.

£1.346m are considered medium risk as follows:

- Corporate Core - £1.121m. ICT £300k which has been mitigated this year across supplies and services. These will be delivered in 2023/24 as part of the printer and telephony rationalisation. Operational Property £0.821m mitigated this year through an approved draw down from the reserve. The operational property savings are time limited and 2023/24 and is aligned to the reopening of the Town Hall. A plan is being developed to ensure the delivery of the savings in 2023/2024
- Neighbourhoods - £225k – advertising income in relation to a proposed new advertising screen at Piccadilly Gardens is considered at moderate risk of being achieved this year. Discussions are ongoing with both the Events team and City Centre Regeneration around plans for the area and how a screen can potentially be integrated in the short term. Once agreed a planning application will be required, it is expected that this saving will be achieved in 2023/24 and is being covered by additional income in 2022/23.

Manchester City Council
Report for Resolution

Report to: Executive – 15 February 2023
Resources and Governance Scrutiny Committee – 27 February 2023
Council – 3 March 2023

Subject: Capital Programme Monitoring Q3 2022/23

Report of: Deputy Chief Executive and City Treasurer

Summary

This report informs members of:

(a) Progress against the delivery of the 2022/23 capital programme to the end of December 2022.
(b) The latest forecast of capital expenditure and the major variances since the Capital Programme Monitoring report submitted in November 2022.
(c) The proposed financing of capital expenditure for 2022/23 and affordability of the Capital Programme.

Recommendations

Executive, Resources and Governance Scrutiny Committee and Council are asked to note the report.

Wards Affected: All

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

Manchester Strategy outcomes	**Summary of the contribution to the strategy**
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	The capital programme contributes to various areas of the economy including investment in public and private sector housing, education and children's social care, transport infrastructure, major regeneration activities, environmental, cultural and leisure services.

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

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

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

All revenue consequences are included in the current Revenue Budget.

Financial Consequences – Capital

The latest forecast of expenditure for 2022/23 for Manchester City Council is £443.8m compared to the current approved budget of £575.8m. Spend as of 31st December 2022 was £259.4m. The £1,047.9m multi-year programme is subject to continual review to establish whether the forecast remains achievable. Whilst the intention is for the City Council to progress the programme as stated, some projects and their sources of funding may require re-profiling into future years.

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Background documents (available for public inspection):

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

- Report to the Executive 16th February 2022 – Capital Strategy and Budget 2022/23 to 2024/25
- Report to the Executive 29th June 2022 – Capital Outturn Report
- Report to the Executive 22nd July 2022 – Capital Update Report
- Report to the Executive 14th September 2022 – Capital Update Report
- Report to the Executive 14th September 2022 – Capital Programme Monitoring (P4)
- Report to the Executive 19th October 2022 – Capital Update Report
- Report to the Executive 16th November 2022– Capital Programme Monitoring (P6)
- Report to the Executive 16th November 2022 – Capital Update Report
- Report to the Executive 14th December 2022 – Capital Update Report
- Report to the Executive 18th January 2023 – Capital Update Report

1 Introduction

1.1 The purpose of the report is to:

- Provide an update to members on the progress of the global capital programme in the nine months to the end of December 2022, including activity, benefits realised, financial implications and risk;
- Provide a more detailed update on the major projects within the programme;
- Confirm that there are adequate levels of resources available to finance the capital programme.

2 Background

2.1 The Executive approved the Capital Budget for the period 2022/23 to 2024/25 in June 2022 as part of the Capital Outturn Report. Since then, subsequent capital budget update reports were submitted to the Executive, the cumulative effects of which can be seen at Appendix 2. The revised capital budget for 2022/23 is therefore £575.8m, with a further £472.1m budgeted to be spent across 2023-2025, taking the whole programme to £1,047.9m.

3 Contributing to a Zero-Carbon City

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

3.2 In February 2021 Executive agreed to the adoption of the Manchester Low Carbon Build Standard for future capital projects, and this has been implemented. Work is ongoing to develop specific measurable carbon metrics across the capital programme, for both during and post-acquisition/construction phases of a project, that will enable comprehensive reporting on the intended and achieved carbon reductions created through the programme. It is intended that this will form part of these monitoring reports.

3.3 Current ongoing projects which feature carbon reduction works include the refurbishment of the National Cycling Centre and the Manchester Aquatic Centre, two of the highest gas and electricity consuming buildings in the estate. Full refurbishment of the buildings has seen the dependency on gas removed, full refurbishment of plant rooms, LED lighting installed throughout, fabric improvements and renewable generation installed. In the case of the National cycling Centre, the total impact of these works is forecast to achieve c60% reduction in carbon emissions.

4 Capital Programme Forecast 2022/23

4.1 The latest forecast of expenditure for the Manchester City Council Capital Programme in 2022/23 is shown in the table below. The main variances relate to Active Travel schemes, Housing Infrastructure Fund (HIF), Our Town Hall, The Factory (Build), Campfield Redevelopment, Galleries Collection Housing, This City Housing Delivery Vehicle, Housing Affordability Fund, Fire Risk Assessments, Hammerstone Road, and ICT Network Refresh Programme and are discussed in more detail in the following sections.

Manchester City Council Programme	2022/23						
	Current Budget	Forecast at P4	Forecast at Q2	Forecast at Q3	Variance to current budget		Spend to Date
	£'m						£'m
Highways	54.1	40.5	39.9	37.5	(16.6)		24.8
Neighbourhoods	83.6	82.9	86.1	73.3	(10.3)		46.2
The Factory and St John's Public Realm	79.4	46.4	79.4	60.9	(18.5)		33.1
Growth and Development	117.8	97.6	95.3	84.9	(32.9)		46.1
Our Town Hall Refurbishment	82.3	76.5	74.9	68.7	(13.6)		40.2
Housing – General Fund	27.4	24.1	16.3	17.4	(10.0)		13.0
Housing – Housing Revenue Account	45.9	34.8	40.8	32.4	(13.5)		17.4
Children's Services	47.5	42.6	44.9	43.6	(3.9)		25.5
ICT	7.6	4.9	4.8	4.3	(3.3)		2.5
Corporate Services	15.1	15.1	15.2	15.0	(0.1)		10.6
Total (exc. contingent budgets)	**560.7**	**465.4**	**497.6**	**438.0**	**(122.7)**		**259.4**
Contingent Budgets	15.1	41.4	15.4	5.8	(9.3)		0.0
Total	**575.8**	**506.8**	**513.0**	**443.8**	**(132.0)**		**259.4**

4.2 The total forecast for the contingent budgets reflects additional grant allocations in 2022/23 for the Housing Affordability Fund and the utilisation of the Council's inflation budget reported in previous Executive reports.

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

Manchester City Council Programme	**2022 /23**	**2023 /24**	**2024 /25**	**2025 /26**	**Total All Years**	**All Years Variance to Current Budget**
Highways	37.5	27.0	6.0	8.2	78.7	(0.2)
Neighbourhoods	73.3	29.3	5.8	2.1	110.5	(0.1)
The Factory and St John's Public Realm	60.9	18.6	0.0	0.0	79.5	0.0
Growth and Development	84.9	100.5	36.9	3.6	225.9	(1.4)
Town Hall Refurbishment	68.7	86.4	46.6	0.0	201.7	0.0
Housing – General Fund	17.4	32.1	21.1	8.5	79.2	0.0
Housing – Housing Revenue Account	32.4	49.4	44.1	11.6	137.4	0.0
Children's Services	43.6	23.3	3.6	0.0	70.5	0.0
ICT	4.3	2.6	0.0	0.0	6.9	0.0
Corporate Services	15.0	1.5	0.5	0.0	17.0	0.0
Total *(exc. Contingent budgets)*	**438.0**	**370.7**	**164.6**	**34.1**	**1,007.3**	**(1.7)**
Contingent Budgets	5.8	8.9	24.2	0.0	38.9	0.0
Total	**443.8**	**379.6**	**188.8**	**34.1**	**1,046.2**	**(1.7)**

4.4 The report also shows an overall underspend of £1.7m against the programme. This includes:

- £0.2m for Greater Manchester Improvement Programme Development Costs Tranche 1 (Highways),
- £0.8m for Heron House,
- £0.6m for House of Sport,
- £0.1m for the Cremator & Mercury Abatement project which is nearing completion.

4.5 The budget will be reduced by these amounts at Outturn. There are a number of projects which are currently forecast to require reprofiling over years, which will also be reflected in the Outturn report.

4.6 A more focussed look at the top 10 projects is provided in Section 5 below. These projects cover 79.9% of the total programme. Section 6 provides details of any other material changes relating to other parts of the programme.

4.7 The programme contains some budgets yet to be allocated to specific projects but reserved for a particular purpose, such as Education Basic Need funding, Housing Affordability Fund, the ICT Fund, HRA Unallocated funding and the budget for inflation pressures. These will be allocated once the specific schemes are progressed and approved, or in the case of inflation the business case showing the impact of inflationary pressures on a scheme completed. They are then subject to approval through the Council's capital approval process.

4.8 The most significant risk facing the programme and major projects overall is the continued high levels of inflation being experienced, as set out in Section 7 of this report.

5 Major Projects

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

Project	Current Budget 2022/23	Fore-cast at P9	In Year Vari-ance	Spend to date 2022/23	Total Budget (All Years)	Total Vari-ance (All Years)
£m						
Our Town Hall Refurbishment	82.3	68.7	(13.6)	40.2	306.4	0.0
Factory International and St John's Public Realm	79.4	60.9	(18.5)	33.1	229.8	0.0
Housing Infrastructure Fund (Victoria North)	20.0	9.9	(10.1)	5.9	51.0	0.0
Carbon Reduction Programme and Public Sector Decarbonisation Scheme	17.7	17.7	0.0	4.9	46.3	0.0
Collyhurst*	3.3	2.7	(0.6)	1.2	37.9	0.0
This City Housing Delivery Vehicle	12.7	2.7	(10.0)	1.8	36.1	0.0
Manchester Aquatics Centre	17.5	19.7	2.3	18.5	33.5	0.0
Back of Ancoats Mobility Hub and Public Realm	7.9	3.9	(4.0)	1.8	32.7	0.0
Hammerstone Road Depot	11.4	7.8	(3.6)	5.1	31.6	0.0
Co-op Academy Belle Vue	19.6	18.6	(1.0)	15.3	31.5	(1.4)

*Public and Private Sector Housing

Our Town Hall Refurbishment

5.2 Works continue to progress well on site for the Town Hall Project. As of January 2023, package procurement is up to 91%. There are £12m worth of works packages currently out to tender. Packages currently being assessed include the joinery packages and the next to be tendered are specialist decorations.

5.3 Despite a challenging 18-month period due to multiple factors including further impact of COVID-19, ongoing market and inflationary conditions, the project is still reporting on budget, but as a result of these challenges the budget remains under significant pressure. As the project team establishes better certainty on the level of the likely outturn position, the extent to which this can be covered within the existing budget contingencies and inflation provision will be known. It is expected that sufficient cost surety will be known by summer 2023 to provide an accurate final outturn projection.

5.4 The quality of works on the project continues to be high. In early 2023 works underway include the scaffolding in the Great Hall being dropped following the restoration of the Great Hall ceiling, timber cleaning and repairs to the leaded windows. Work is also progressing on the temporary roof over the Princess Street elevation to enable roof repairs and the construction of the plant deck to progress. Other timber repairs to the roof, gutters, chimneys and repairs to leaded lights are being undertaken.

5.5 The project continues to make excellent progress against its social value objectives. A significant percentage of project spend has been delivered in Manchester and opportunities for Manchester residents have been delivered through new jobs, training and development.

5.6 The Our Town Hall Refurbishment project is currently forecasting reprofiling of £13.6m in to 2023/24. This is due to a reduction of £3.3m in the forecasted contingency spend in this financial year. As reported to Executive in November 2022, this is also due to the delayed commencement to a substantial part of the Mechanical, Electrical and Plumbing (MEP) installation works to enable some further works to work faces and structural alteration works to be carried out.

Factory International

5.7 As of January 2023, all the detailed design works have been completed and static completion dates are now instructed. The project has now reached 84% cost certainty and good progress continues to be maintained on site. The internal and external works are progressing well, specifically, the first proscenium door is now on site ready to be installed and the high-level MEP installation is being completed, enabling the scaffolding to be dropped and the roofing to commence. The project has introduced a number of acceleration measures to various work packages including the central tower envelope works which are progressing well.

5.8 Executive approved a budget increase to Factory International in October 2022, taking the total budget for Factory International and St John's Public Realm to £229.8m. £16.8m of the budget is being reprofiled into 2023/24 to reflect the latest programme and payment dates and the alignment of the budget to programme is constantly being reviewed. The static completion dates are being achieved ready for the opening in June 2023. The Council is engaged in ongoing negotiations with the management contractor to conclude their costs for their remaining works. Total cost surety will only be reached when all packages are procured, and the project is nearing completion.

5.9 Works are progressing to the St John's Public realm, with some works accelerated to enable the delivery of the First Breath area to support the event celebrating new life in Manchester which took place in January 2023. The prohibition of driving order has been advertised. The Public Realm is forecasting slippage of £1.7m due to changes in programme.

Housing Infrastructure Fund (Victoria North)

5.10 The Housing Infrastructure Fund (HIF) Programme is helping to underpin the future delivery of 5,500 homes in the adjacent neighbourhoods of Red bank and New Town within the Victoria North initiative area. The Victoria North initiative is being driven through a joint venture partnership between the Council and Far East Consortium (FEC). The total budget for the Housing Infrastructure fund is £51.0m, and the project is due to complete in 2024. The project is broadly split into two packages of work, Infrastructure Works and River Works.

5.11 The contract for the main infrastructure works was signed and sealed in November 2022. The pre-construction services agreement (PCSA) has been extended with the main contractor in order to extend the works included in the enabling package. The contractor has also set up their full site office and compound, ready for the full works starting. The site compound includes the Victoria North Community Hub, part of the social value commitment which opened in October 2022. Manchester is now operating from the hub, providing support to help families become economically active.

5.12 FEC's Victoria Riverside scheme, consisting of 634 apartments and townhouses is currently progressing on site. FEC have undertaken a rolling programme of public consultation in advance of the planned submission of detailed planning applications for their further plots and the intention is these applications will come forward in 2023.

5.13 On the River Works package, planning for flood alleviation works has been delayed. Following completion of the modelling of the various flood defence options, a new favoured option to tackle flood defence is being developed which involves replacing Scotland Bridge. BAM and Arup are undertaking further investigations as part of the design development, to assess the feasibility of the scheme.

5.14 The project is reprofiling £10.1m into future years primarily down to delays in getting ground investigation results for the flood scheme from the contractor and bad weather, which is having a knock-on effect on the wider programme. As above, a new option is being developed with further investigations being carried out, causing delays to the design process. Decisions on other elements of the infrastructure package are being delayed due to costs being unknown on the flood defence design.

Carbon Reduction Programme including PSDS

5.15 The total current budget for the Carbon Reduction Programme and Public Sector Decarbonisation Fund (PSDS) is £46.3m and is forecast to budget.

5.16 Phase 1 of the Carbon Reduction Programme is almost complete and will save 1,400 tCO_2 annually. Remaining works include the installation of LED lighting at the Sharp Project (installation commenced and almost complete) and at the Tennis and Football Centre. This project has been delayed as the building is being used as a vaccination centre. A final account for Phase 1 will be done upon completion, as well as ongoing reports detailing the total carbon savings made as result of the project.

5.17 Projects to deliver renewable generation at the National Cycling Centre and Hammerstone Road, part funded by the European Regional Development Fund (ERDF) have been reviewed and scope amendments agreed with fund administrators. The Hammerstone Road Solar PV project will no longer be delivered with support of ERDF as it wasn't possible to achieve the June 2023 deadline due to dependencies on essential refurbishment works. The intention is still to install solar PV on the roof of Hammerstone Road, but via the main refurbishment contract, making use of the existing carbon reduction budget. The solar car ports at the National Cycling centre will still be delivered, but as a smaller due to budget pressures arising from design development and market pressures.

5.18 Public Sector Decarbonisation Scheme Phase 3 grant funded works are in flight. A contractor was appointed and upon completion of detailed designs it became apparent that further Council funding would be required. A virement from the existing Carbon Reduction Programme budget was approved in December 2022, meaning the total scheme is now £12.6m of which £3.9m is grant funded. Sub-contractor tendering is being undertaken in January 2023 and a works contract is expected to be put in place imminently. It is anticipated that works will begin on site in early February 2023, but with the ambitious grant deadline of all expenditure to be incurred by March 2023, there remains a key risk that the Council may become liable for the cost of any work not completed by this date. To mitigate this, approval was secured to make early orders on a number of components such as heat pumps which had long lead times.

5.19 The programme has submitted a further bid for PSDS funding in round 3(b) to deliver carbon reduction works within Woodhouse Park Leisure Centre. The total project value was £1.2m, of which £0.3m PSDS grant was requested. This investment is forecast to save circa 52 tC02 each year. There are further possible decarbonisation works that could be done at the Leisure Centre which will be explored as part of the wider project. The outcome of the bid is expected in early 2023.

5.20 The delivery partner appointed to complete 80 building energy audits, with the intention of developing a pipeline of carbon reduction investment proposals to take us up to 2025 and beyond, has completed batch 1 of the first 20 buildings up to RIBA Stage 2. The Council will now undertake stakeholder engagement and other initial works required to determine of these which buildings should progress to RIBA Stage 3. These energy audits will be used to inform future checkpoint submissions, drawing down against the previously budgeted £15.0m for additional carbon reduction works.

5.21 The PSDS programme is scrutinised and monitored regularly in order to satisfy funding requirements regarding completion date. Spend is weighted toward the end of the programme and the Project Manager and Quantity Surveyor are working closely together to ensure spend is maximised in year.

Collyhurst

5.22 The budget for the first phase of the Collyhurst Programme, due to be spent by Spring 2024, is £38.0m. The project has minor slippage of £0.6m into future years due to the ongoing negotiations with FEC but remains within the overall budget.

5.23 During the period, pre commencement and first progress meetings have been held with the contractor/developer for the project. FEC continue to work through the PCSA process with preferred contractor and the Shared Ownership and Affordable Homes Programme (SOAHP) contract with Homes England is now finalised with the grant agreement also complete. Discussions have progressed with affected owner-occupiers regarding CPO/Relocation assistance. The market value compensation process has also commenced.

This City Housing Delivery Vehicle

5.24 The total current budget for This City Housing Delivery is £36.1m. There are two sites in the first phase of This City development. Both are at different stages of design and development.

5.25 The business plan for This City has been developed and is now in final draft form. The plan outlines the vision for the company, along with clear financial performance models, alongside a range of key performance indicators and details on risk. A detailed piece of work is underway on the investment model that would enable potential phase two developments to be brought forward with a partner.

5.26 Planning permission has been granted for This City Ancoats (Rodney Street), with the preferred contractor for the scheme currently working under a pre-construction services agreement (PCSA). This City Northern Quarter (Postal Street) design continues to progress with sessions held with Planning to agree principles regarding orientation and massing of the development in order to finalise RIBA 2 design proposals.

5.27 This City is bringing its first sites forward in a significantly challenging time for delivery. The volatility of the construction sector, inflationary pressures, cashflow and changes in the private rented sector are all impacting on the business plan. The inflationary pressure on the This City Ancoats scheme has been identified as part of the design work with the contractor, and the scheme is forecast to require a further £12m. This request forms part of the Capital Strategy report elsewhere on the agenda.

Manchester Aquatic Centre

5.28 Following the successful application to host the World Para Swimming Championships in 2023, works for Phase 2 on the Manchester Aquatics Centre refurbishment have now been instructed to commence in Summer 2023. The total current budget is now £33.5m and the full project is scheduled to complete in Summer 2024.

5.29 Works on Phase 1 are continuing to progress on programme, and activities within the period include reinforcing the mezzanine plant deck flooring and fire stopping works to meet building regulations. Work on the roof repairs is also underway. Completion of Phase 1 works has been estimated for Spring 2023. The main project risks relate to historic design failures which the intrusive surveys could not have discovered. These include missing fire stopping and roof compartmentation. The team are working hard to contain the costs to correct these issues within the approved budget.

5.30 The project requires acceleration of £2.3m in to 2022/23 in line with the revised plan now that instruction has been confirmed on Phase 2 works.

Back of Ancoats Mobility Hub and Public Realm

5.31 The Back of Ancoats Mobility Hub and Public Realm project was approved in March 2022 with a total budget of £32.7m. The project is expected to complete in 2025/26.

5.32 Demolition of the existing structures on the Poland Street site was completed in December, and a planning application for the changes to the external elevations and ground floor of the Hub was submitted in the same month. This will keep the project on track to start on site in June. Soft market testing for the future operator of the Mobility Hub is underway and will be followed by a formal tender being issued.

5.33 Within the Public Realm Strategy (PRS), a contractor has been appointed to undertake works to Jersey Street bridge. The bridge removal will start on site in March 2023 for a period of six months. These works are being coordinated with adjacent landowners.

5.34 A planning application for the refurbishment of Ancoats Green will be submitted in January 2023 following design workshops held with local residents last autumn. Works to the Green are expected to start later this year.

5.35 Work has continued to design the Traffic Regulation Order (TRO) strategy that will help to prevent rat running in Ancoats and create streets that are pedestrian and cycle friendly. Consultation will be undertaken once a traffic count and traffic modelling has been completed.

Hammerstone Road Depot

5.36 The total budget for the Hammerstone Road Depot project is £31.6m. Activities delivered in the period include strengthening works and asbestos removal and roof works and scaffolding for the roof installation ongoing. Phase 2-3 scaffolding to the Loco Shed has also been completed. Underpinning works have completed for the sub-station.

5.37 The scheme remains a priority as the main depot facility owned by the Council. It is well located for servicing the whole city, forms part of the waste collection contract and hosts other city services such as the library store, fleet and taxi servicing facilities and HGV electronic charging infrastructure.

5.38 As reported in November 2022, the project requires reprofiling of £3.0m in to 2023/24. There was a slight in entering into the main contract to allow further investigative works to be completed which will reduce the risk within the main contract.

Co-op Academy Belle Vue

5.39 The construction of the new Co-op Academy Belle Vue, a 1,200-place secondary school on Hyde Road, is now complete and the school has been handed over for any snagging works to be identified. Staff and pupils from a Council primary school moved into the premises temporarily on 23rd January 2023 whilst some construction works under the Council's Schools Maintenance Programme are undertaken over the spring and summer terms, with Co-op Academy Belle Vue opening officially for September 2023.

5.40 All associated Highways works surrounding the site are programmed to be complete by the end of January 2023 in time for the primary school moving into the site.

5.41 The scheme is currently forecast to underspend by £1.4m against the budget of £31.5m as not all of the risk and contingency allowances have been required. Once the snagging works are complete, a final account will be issued, and this figure will be finalised. Any unspent budget will be ringfenced to future education projects.

6 Other material changes to the programme

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

Project	Current Budget 2022/23	Forecast at P9	In Year Variance	Spend to date 2022/23	Total Budget (All Years)	Total Variance (All Years)
£m						
Housing Affordability Fund	9.1	0.5	(8.6)	0.0	9.1	0.0
Campfield Redevelopment	10.6	2.3	(8.3)	0.0	17.5	0.0
Galleries Collection Housing and Remediation Works	6.8	0.7	(6.1)	0.0	8.3	0.0
Fire Risk Assessments	5.1	0.8	(4.3)	0.6	6.5	0.0
Manchester Cycleway	4.2	0.2	(4.0)	0.1	4.9	0.0
Network Refresh Programme	5.6	2.5	(3.1)	1.1	9.5	(1.0)
Northern Quarter Cycling Scheme	4.1	1.4	(2.7)	1.1	10.7	0.0
Rugby Football League – Beswick Hub	2.6	0.0	(2.6)	0.0	3.0	0.0
Footway Schemes	4.3	2.0	(2.3)	1.5	9.9	0.0
Carriageway Preventative	3.3	1.2	(2.1)	0.9	23.6	(0.8)
Levenshulme Active Neighbourhood	3.4	1.3	(2.1)	0.7	4.7	0.0

Housing Affordability Fund

6.2 Following the Council's approval of the Housing Affordability Policy Framework in December 2016, the Housing Affordability Fund (HAF) was established to bring together a range of funding streams such as S.106 commuted sums and right to buy receipts, targeted at the provision of new affordable homes. It is designed to support schemes by providing GAP funding, supplementing existing grants, and funding to support scheme delivery and can be used as a form of 'top-up' for schemes that are still marginal due to low rental and sales values. As reported to Executive in November 2022, it is expected that the majority of grant applications to the Housing Affordability Fund will be made in 2023/24 and as a result a total of £8.6m will be reprofiled into next financial year.

Campfield Redevelopment

6.3 The Campfield Redevelopment is the creation of a new media and tech industries cluster in the St John's Strategic Regeneration Framework (SRF) area. It will deliver workspaces and studio spaces, to attract and support start-up, recovery, and scale-up businesses around tech, innovation and media through the re-adaptation of three buildings, including two heritage buildings, which have reached the end of their economic life.

6.4 In 2022, the Council was successful in a bid to the Levelling Up Fund for the Culture in the City project which includes the Campfield Redevelopment. The grant funding will cover the conversion of the two heritage Campfield Market buildings, with the third, Castlefield House, to be delivered by Allied London using their own investment. The Council has capital programme approval to acquire Castlefield House, which is being significantly redeveloped and extended as grow on space for new media and tech businesses. The building will be acquired on completion of the building works. All three properties will then be leased back to Allied London, on completion of the refurbishment works. The exchange of legal agreements completed in December 2022 and the budget has been reprofiled to match the agreed delivery timescales with the majority of spend now taking place in 2023/24. A total of £8.3m will be reprofiled into the next financial year.

Galleries Collection Housing

6.5 In July 2022, Executive approved essential safety and remediation works at the City Art Gallery and Queens Park Conservation Studios, to continue to maintain both buildings as operational assets. The works required will be the most significant carried out since the last major refurbishment in 2000 and include addressing basement damp/water ingress, replacing electrical and mechanical parts (including lifts), critical stone repairs and design and roof works. Design works are underway with the majority of the construction scheduled for the next financial year, hence a total of £6.1m will be reprofiled into 2023/24.

Fire Risk Assessments

6.6 Within the Operational Housing portfolio, there is ongoing mandatory work being undertaken around Fire Risk Assessments. Such works are required across the operational housing estate in low rise, medium rise, sheltered housing blocks and high-rise blocks to ensure compliance with fire safety legislation and regulations. The project is reporting slippage of £4.3m due to the current level of refusals received as well as access issues with phase 2 of the works. It is now anticipated that works will conclude in 2024/25.

Manchester Cycleway

6.7 Executive Members were advised in November that due to significant increases in cost across the Mayors Challenge Fund programme, the Manchester Cycleway scheme could not be delivered within the current programme entry allocation and the funding gap was estimated at approximately £4.0m. As a consequence, the delivery of the main scheme has been paused with only the design and development work now being progressed. If further funding can be identified and the scheme can be delivered, further approvals will be required.

IT Network Refresh Programme

6.8 The Network Refresh Programme consists of the Local Area Network (LAN), the Wireless Local Area Network (WLAN) and the Wide Area Network (WAN) projects. These are running concurrently as part of the Network Refresh Programme (NRP) and will change the way the ICT network is delivered, providing fit for purpose modern networking technology to meet the requirements of MCC. The NRP is currently in the proof-of-concept phase and with the implementation phase forecast to commence in April 2023.

6.9 There is slippage of £2.1m due to delays in equipment orders from suppliers, linked to the worldwide shortage of networking components and issues with the global supply chain. The Council is actively working with the suppliers and the technology providers to escalate the priority of the Council orders. Preparation works that are not dependant on hardware are being completed to reduce the time to complete the implementation phase. There is also an anticipated underspend of £1.0m on the WAN element of the programme due to released contingency and a reduction in the number of sites, with a further 30 sites receiving a more cost-efficient connectivity than originally anticipated.

6.10 Significant risks to the Network Refresh Programme are the likelihood of cost increases due to price increases from the suppliers. This is actively being managed to reduce the impact.

Northern Quarter Cycling Scheme

6.11 This scheme is split across 4 areas, Areas 1 and 3 have been completed.

6.12 As reported to Executive in November, the ongoing project requires reprofiling of £2.7m into 2023/24. Area 4 (Shudehill) will not be delivered, as design issues could not be resolved around the High St junction with Shudehill Bus Station, and will now form part of a future Active Travel Fund (ATF) funding bid. The bus operator challenge in Area 2 (Stevenson Square) has been resolved but unfortunately this challenge impacted on the programme and design timelines. It is anticipated that Area 2 will now be completed in Summer 2023.

Rugby Football League – Beswick Hub

6.13 The Rugby Football League (RFL) – Beswick Hub project is to build a new rugby league coaching and educational facility on the existing rugby ground on land to the rear of the East Manchester Academy. The scheme will deliver a facility for RFL, but also as an asset which can be used by the local community including students attending the adjacent East Manchester Academy and Connell Sixth Form College. The project is currently on hold as the costs for the original design exceed the approved budget and options to bring the scheme back into budget are being explored. As a result, £2.6m budget will be reprofiled into 2023/24.

Footway Schemes

6.14 The slurry seal treatment programme has proven to be more efficient than initially predicted, resulting in an efficiency saving of £2.3m against the 2022/23 forecast, meaning the overall programme costs have reduced. As a consequence of the saving, reprofiling will be undertaken to enable the delivery of additional footway schemes in 2023/24 over and above what was originally planned. This supports the ambition to focus more on footway resurfacing.

Carriageway Preventative

6.15 Works on the Carriageway Preventative Programme are now expected to begin in Spring 2023. As a consequence, it is anticipated that the project will run into next financial year, requiring reprofiling of £2.1m budget into 2023/24. All drains are cleaned and tested prior to the main works commencing, and the cost of repairs has been less than anticipated resulting in a saving which will be allocated to other Highways Maintenance Projects.

Levenshulme and Burnage Active Neighbourhood

6.16 Phase 1 of the Levenshulme and Burnage Active Neighbourhood project continues to progress, however the pace has been slower than anticipated. A total of £2.1m has been reprofiled in to 2023/24 to accommodate for the delays. Phase 2 of the project is awaiting final funding approval from GMCA which is expected in April 2023.

7 General Programme Risks

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

7.2 The significant inflationary pressures previously reported in the construction market are being maintained. The latest statistics from the Department for Business, Energy and Industrial Strategy (BEIS) to end October 2022 show an overall increase of 15.5% in prices for ‘all work’ (new housing, other new work, and repairs and maintenance) compared to October 2021. The BEIS figure to June 2022 reported at Q2 showed an overall increase of 26.4% year on year increase for ‘all work’, so it would appear that the overall rate of increase in cost for construction schemes is easing.

7.3 Price increases remain inconsistent. While some material prices continue to increase significantly month on month, some have begun to fall, perhaps reflecting a stabilising employment market following Brexit and a reduction in additional costs associated with the pandemic being passed on to the client.

7.4 There is still clearly a considerable risk 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 in a prudent basis. There is also an inflation contingency budget of £7.6m for the whole programme which can be accessed if inflationary pressures are greater than the contingency budgets built into existing cost plans.

7.5 Finally, some of the funding sources are time-limited, such as the Public Sector Decarbonisation Scheme. Officers will continue to monitor progress against these schemes to seek to maximise the level of grant funding used.

8 Capital Resources

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

	Draft Funding 2022/23 £m	**Draft Funding 2023/24 £m**	**Draft Funding 2024/25 £m**	**Draft Funding 2025/26 £m**	**Draft Funding All Years £m**
Grants	94.4	102.6	36.7	3.6	237.3
Contributions	26.6	17.4	0.8	7.0	51.8
Capital Receipts	31.0	28.2	10.7	8.6	78.5
Revenue Contributions to Capital	30.5	40.7	44.2	11.6	127.0
Capital Fund	5.5	3.2	1.4	0.0	10.1
Borrowing	255.8	187.5	95.0	3.3	541.6
Total	**443.8**	**379.6**	**188.8**	**34.1**	**1,046.2**

8.2 Modelling the Council's future cash flow based on the funding assumptions and anticipated changes to working capital provides an assessment of the ongoing affordability of the forecast capital programme. The current forecasts show that the financing costs remain affordable within the revenue budget available including reserves. The capital financing reserves will be required to meet the costs associated with the borrowing by 2025/26. The model is based on a significant number of assumptions, including the timing of future borrowing and forecast future interest rates and the position is subject to change.

8.3 The current forecast for the Council's Prudential indicators, compared to those reported to members in Executive in the budget reports, is shown at appendix 3.

9 Social Value

9.1 Every capital project is required to consider the social value which could be realised, either through procurement or other routes, through the creation of the asset. Capturing the expected social value benefits allows projects to monitor their social value output on an ongoing basis. In some cases, for example with the Northwest Construction Hub, this is done on an aggregate basis rather than project by project. Some examples of the social value delivered to date include:

9.2 Our Town Hall (OTH): Achieving economic and social value for Manchester has been a core project objective from the very start. To date there has been excellent progress made against the project KPIs and in the way in which social value has become embedded in the wider project team's day-to-day work. A summary of the social value targets and actuals to date is set out below:

KPI Summary	Project Base Target	Project Actual to Date
Local Employment	30%	47%
Manchester Spend	40%	57.25%
GM Spend (including Mcr)	50%	71%
New jobs created	45	239
New qualifications achieved	50	136
New professional memberships achieved	20	42
Progression in professional memberships	20	28
School/college careers/employment sessions	50	156
School/college STEM sessions	50	28
Higher education students supported with employment, skills or subject/research work	1500	1025
High education research projects supported	35	35
Work placements 14-16 years	50	75
Work placements 17+ years	50	215
New apprentices up to level 3	100	84
New apprentices level 4+	50	54
Manchester residents' apprentices	100%	100%
Existing apprentices employed	100	17
Completing apprentices	100	25
Volunteer hours spent	10,000	6620.35
Compliance with MMW	100%	100%
Compliance with Ethical Procurement Policy	100%	100%

9.3 The Factory International: The original Social Value Plan for the project was collaboratively developed by Laing O'Rourke (LOR) in consultation with Manchester City Council and Manchester International Festival in 2017, during the pre-contract stages of the project and embedded into the construction contract. The plan outlined key priority themes and social value key performance indicators for Manchester City Council, which were to be achieved throughout the construction programme. A summary of social value targets and actuals to date is illustrated below:

KPI Summary	Project Base Target	Project Actual to Date
Apprenticeships - new	25	29
Apprenticeships - sustained	25	25
Education Activities	60	65
Employment support	50	260
Community Activities	60	100
Local Spend (Manchester and GM)	50%	86%
Local Labour (Manchester and GM)	50%	56%
New local jobs	8	25
Kickstart placements	10	7

9.4 Highways are currently using the Social Value Portal to track, monitor and report social value delivery across the service. Common areas of social value have been around community support e.g. offer of materials, labour and donations in kind as well as volunteering hours and help for the homeless. During the third quarter of 2022/23 examples have included:

<u>Major Projects:</u>

- A donation of £1,000 was made by the supplier to SPIN - Supporting People In Need – Manchester, a charitable organisation based in Manchester, tackling the ongoing issue of homelessness and poverty.

- Employees volunteered for 10 hours to install a fan barrier system at West Didsbury and Chorlton Football club to ensure fan safety on a match day.

<u>Network Management:</u>

- A request was received regarding a community bike library in Moston that needed a new path and the removal of shrubbery. The supplier restored the path and inserted new flags via a donation in kind of £2,250.

- The Neighbourhood Officer for Levenshulme sent a social value request to the Highways social value inbox asking for a retaining wall on Elmsworth Avenue to be fixed. The supplier made an in-kind donation of £5,865 to fix the wall.

- A donation in kind of £18,272 was made to West Didsbury and Chorlton AFC to install new drainage and implement flooding prevention measures.

- A donation in kind of £860 was made to Don’t Walk Past a Manchester-based homelessness outreach. The group is about feeding the homeless and clothing them throughout the year. The supplier’s donation contributed to the outreach van and generator

- A donation in kind of £500 was made to Perry's Pantry (a foodbank in Didsbury) to their Christmas toy appeal.

10 Contributing to the Our Manchester Strategy

(a) A thriving and sustainable city

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

(b) A highly skilled city

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

(c) A progressive and equitable city

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

(d) A liveable and low carbon city

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

(e) A connected city

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

11 Key Policies and Considerations

(a) Equal Opportunities

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

(b) Risk Management

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

(c) Legal Considerations

None.

12 Appendices

Appendix 1 – Capital Monitoring by Portfolio Area
Appendix 2 – Changes to Capital Budget
Appendix 3 – Prudential Indicators

Appendix 1 – Capital Monitoring by Portfolio Area

Project Name	2022/23 Current Revised Budget	Year to Date spend	2022/23 Current Forecast	2023/24 Budget	2023/24 Forecast	2024/25 Budget	2024/25 Forecast	2025/25 Budget	2025/26 Forecast
Drainage	2,097	979	1,993	0	104	0	0	0	0
Large Patching repairs	2,100	82	569	0	19	0	30	0	0
Patching Defect repairs	6,629	6,232	7698	2,206	2206	0	0	0	0
Carriageway Resurfacing	5,166	4,274	5751	0	535	0	254	0	0
Footway schemes	4,260	1,520	2034	0	1,023	0	155	0	1,048
Carriageway Preventative	3,303	924	1155	0	1,292	0	60	0	0
Bridge Maintenance	1,466	356	1034	1,465	1,897	0	0	0	0
Other Improvement works	780	107	267	2,000	2,000	4,443	4,791	0	0
Woodlands Road Emergency works	602		602	0	0	0	0	0	0
Highways Maintenance Challenge Fund	952	130	222	0	533	0	25	0	172
Hyde Road (A57) Pinch Point Widening	0	-60	0	0	0	0	0	0	0
Manchester/Salford Inner Relief Road (MSIRR)	0	165	176	0	0	0	0	0	0
Great Ancoats Improvement Scheme	151	80	126	50	75	0	0	0	0
Mancunian Way and Princess Parkway NPIF	133	10	114	419	385	0	53	0	0
Christie Extension Residents Parking Zone	224	307	307	0	23	0	0	0	0
North Mcr General Hospital Residents Parking Zone	26	0	0	0	0	0	0	0	0
St George's Residents Parking Zone	64	5	5	0	0	0	0	0	0
Rusholme Residents Parking Zone	212	19	42	0	200	0	0	0	0
School Crossings	435	1,459	1795	1,389	5	0	0	0	0
Chorlton Cycling Scheme	4,513	2,235	3285	3,035	3,670	0	49	0	544
Northern Quarter Cycling Scheme	4,116	1,061	1433	3,370	4,796	0	6	0	1,251
Manchester Cycleway	4,150	140	180	0	1	0	255	0	3,714
Beswick Filtered Neighbourhood Development Costs	117	42	114	276	0	0	279	0	0

Green Bridge at Airport City	24	-70	26	0	0	0	0	0	0
A6 Stockport Road Pinch Point Scheme	23	11	11	0	0	0	0	0	0
Levenshulme Acive Neighbourhood	3,391	711	1304	242	2318	0	11	0	0
Northern/Eastern GW Walking and Cycling scheme	1,359	577	1283	107	183	0	0	0	0
Accident Reduction and Local Community Safety schemes	1,839	1,536	1839	0	0	0	0	0	0
20mph Zones (Phase 3)	0	-1	0	0	0	0	0	0	0
Princess Rd Safety Review	20	0	0	0	0	0	0	0	0
Public Realm	927	225	461	0	437	0	29	0	0
Street Lighting PFI	755	12	47	0	708	0	0	0	0
Sunbank Lane S278	5	0	0	0	0	0	0	0	0
Manchester College Crossing Improvements	150	6	70	0	80	0	0	0	0
Manchester Trash Screens	36	0	0	0	0	0	0	0	0
Oldham Rd Feasibility study	0	4	4	150	0	0	0	0	0
Enterprise Car Club Bays	16	1	1	0	0	0	0	0	0
Electric Vehicle Charging Points Phase 1	0	2	6	0	0	0	0	0	0
TfGM Bus Enhancements	13	10	17	0	0	0	0	0	0
Bee Network Crossings	517	554	924	405	0	0	0	0	0
Parsonage Safer Streets	33	0	33	0	0	0	0	0	0
Active Travel Development Costs	492	295	430	4,610	3,151	0	41	0	1,480
Greater Manchester Improvement Prog (GMIP) Dev Cost - Tranche 1	200	0	0	0	0	0	0	0	0
Back George Street	23	0	0	0	23	0	0	0	0
Clean Air Zone Street Lighting	59	3	31	0	28	0	0	0	0
Princess Parkway/Palatine Rd Feasibility	35	0	0	0	0	0	0	0	0
Traffic Free Deansgate Permanent Works	654	694	789	456	321	0	0	0	0
Restoration of Ordinary Water Course	722	126	573	0	149	0	0	0	0
40mph Speed Limit Reduction Programme	292	19	19	0	273	0	0	0	0
Security and Bollards	250	0	0	0	250	0	0	0	0
Broadway Crossing Pedestrian Safety Scheme	38	0	38	0	0	0	0	0	0

Rochdale Canal Improvement Works	230	0	230	0	0	0	0	0	0
Safer Streets - Manchester Cycleway	250	0	250	293	293	0	0	0	0
Alan Turing Way Active Travel Fund	139	0	139	0	0	0	0	0	0
High Street - Fountain Street Active Travel Fund	87	0	87	0	0	0	0	0	0
Total Highways Programme	**54,075**	**24,783**	**37,514**	**20,473**	**26,978**	**4,443**	**6,038**	**0**	**8,209**
Waste Reduction Measures	99	0	99	0	0	0	0	0	0
Waste Contract	350	737	821	471	0	0	0	0	0
Purchase of Electric Refuse Charging Vehicles	187	430	187	0	0	0	0	0	0
Cremator and Mercury Abatement Plant Replacement Strategy	555	332	423	0	4	0	0	0	0
Off Street Car Parks post Joint Venture project	877	75	877	0	0	0	0	0	0
Chester Road Roundabout Advertising	1,569	0	0	0	1569	0	0	0	0
Electric Vehicle Charging Points	71	11	71	0	0	0	0	0	0
City Centre Litter Bins	0	52	59	0	0	0	0	0	0
Upgrade CCTV System	618	59	618	0	0	0	0	0	0
Parks Development Programme	788	451	890	2,815	4165	2,815	2,089	2,814	2,088
Wythenshawe Cycling Hub	862	826	862	0	0	0	0	0	0
Angel Meadow	18	1	18	0	0	0	0	0	0
Gately Brook Pre-Development Fees	44	0	44	0	0	0	0	0	0
Whitworth Park	76	64	76	0	0	0	0	0	0
Highfield Park	150	0	38	0	112	0	0	0	0
Heaton park Orangery	26	0	26	0	0	0	0	0	0
Cringle Park - Grounded Coffee	110	0	28	0	82	0	0	0	0
Neighbourhood Renewal Fund	0	0	0	0	0	0	0	0	0
Wythenshawe Track Changing Rooms	485	448	485	0	0	0	0	0	0
Indoor Leisure - Abraham Moss	16,630	9,448	15503	420	1450	0	97	0	0
Boggart Hole Clough - Visitors Centre	0	0	0	535	0	0	535	0	0

Mount Road	32	0	0	0	32	0	0	0	0
Mellands Playing Fields - Levenshulme	45	33	45	0	0	0	0	0	0
Gorton and Abbey hey Project	52	12	52	0	0	0	0	0	0
Hough End Master Plan - Strategic Football Hub Development Costs	10,463	332	10463	2,216	2216	0	0	0	0
Manchester Aquatics Centre - Car Park Improvements	12	0	0	0	0	0	0	0	0
Non-Turf Wickets - Parks and Playing Fields	51	0	51	0	0	0	0	0	0
Manchester Aquatics Centre	17,473	18,450	19736	10,957	7,646	1,934	3,052	70	0
National Cycling Centre	18,630	13,972	18151	42	812	0	0	0	0
Rugby Football League Project - Beswick Hub	2,566	9	0	0	2566	0	0	0	0
Wind Tunnel at MIHP	390	196	390	0	0	0	0	0	0
P2R Platt Fields	72	0	72	0	0	0	0	0	0
Withington Baths Loan	1,000	0	1000	0	0	0	0	0	0
Manchester Regional Area Changing Rooms	83	0	0	0	83	0	0	0	0
Replacement of MRA Outdoor Track Floodlights	171	0	171	0	0	0	0	0	0
Citywide Tennis Improvements	323	0	81	0	242	0	0	0	0
Tennis and Football Pitch Replacement	85	0	85	0	0	0	0	0	0
Relocation of Manchester Visitor Info Centre (MVIC)	0	-6	0	0	0	0	0	0	0
Central Library Refresh	718	94	718	0	0	0	0	0	0
Open Libraries	192	2	71	0	121	0	0	0	0
Chorlton Library Refurbishment	600	4	0	0	600	0	0	0	0
Library Refurbishment (City Wide)	339	125	339	50	50	0	0	0	0
Galleries Collection Housing & Remediation Works	6,807	23	717	1,426	7516	0	0	0	0
Total Neighbourhoods Programme	**83,619**	**46,181**	**73,267**	**18,932**	**29,266**	**4,749**	**5,773**	**2,884**	**2,088**
The Factory International (Build)	68,961	32,796	52,111	0	16,850	0	0	0	0
St Johns (Public Realm)	2,681	283	982	0	1,699	0	0	0	0

The Factory (Fit Out)	7,800	0	7,800	0	0	0	0	0	0
Total Cultural Programme	**79,442**	**33,079**	**60,893**	**0**	**18,549**	**0**	**0**	**0**	**0**
Asset Management Programme	6,551	3,756	6,234	5,246	5,563	0	0	0	0
Early Years tendered daycare sites	3,000	0	2,315	0	685	0	0	0	0
Hammerstone Road Depot	11,423	5,101	7,853	11,944	11,973	4,333	7874	0	0
Carbon Reduction Programme	5,651	564	5651	7,712	7712	5,000	5,000	0	0
Public Sector Decarbonisation Scheme	12,058	4,350	12058	0	0	0	0	0	0
Greening of the City	541	198	303	0	131	0	107	0	0
Changing Places Toilets	190	0	90	160	260	0	0	0	0
Estates Transformation	0	0	0	800	0	0	800	0	0
Estates Transformation - Alexandra House	0	11	11	0	0	0	0	0	0
Estates Changes Arising from Future ways of working	64	0	64	0	0	0	0	0	0
Space - Phase 3	60	18	18	0	0	0	0	0	0
Space Studios - Disposal Costs	44	-20	44	0	0	0	0	0	0
Digital Asset Base - One Central Park	468	58	234	0	234	0	0	0	0
Site Acquisition - The Yard, Vaughan Street	679	672	672	0	0	0	0	0	0
Strategic Acquisitions Programme	422	0	422	1,542	1542	0	0	0	0
Mayfield Park	969	0	886	0	83	0	0	0	0
Wythenshawe Town centre	12,950	12,690	12690	0	260	0	0	0	0
Housing Infrastructure Fund	19,980	5,933	9865	25,446	32,830	0	2,731	0	0
Acquisition of land at Red Bank	191	0	191	0	0	0	0	0	0
Victoria North	3,800	3,800	3800	5,448	5,448	5,447	5,447	0	0
Eastern Gateway - Central Retail Park	519	0	100	0	419	0	0	0	0
Eastern Gateway - New Islington Marina	52	0	0	0	0	0	0	0	0
New Islington Marina Bridge Works	1	0	0	0	0	0	0	0	0
House of Sport	7,265	4,354	6620	0	0	0	0	0	0
Mcr Equipment and Adaptations Partnership relocation	2,313	2,286	2313	0	0	0	0	0	0

St. Peters Square - Peterloo memorial	191	40	35	0	0	0	0	0	0
Medieval Quarter Public Realm	81	19	19	0	0	0	0	0	0
Lincoln Square	40	0	40	0	0	0	0	0	0
Piccadilly Gardens - Phase 1	1,559	119	119	0	1440	0	0	0	0
Manchester Digital Security Innovation hub (Cyberhub)	1,998	7	1998	0	0	0	0	0	0
Campfield Redevelopment	10,603	4	2338	6,889	12844	0	2310	0	0
HOME Arches	2,100	179	723	1,102	2479	0	0	0	0
Angel Meadow Land Acquisition	150	0	150	0	0	0	0	0	0
Back of Ancoats Mobility Hub & Public Rm	7,937	1,787	3918	21,682	16220	3,180	12649	3,628	3,640
First Street Cultural Facility	12	0	12	0	0	0	0	0	0
New Smithfield Market	0	0	0	365	365	0	0	0	0
Heron House and Registrars	797	12	12	0	0	0	0	0	0
Civic Quarter Heat Network	2,861	44	2861	0	0	0	0	0	0
Beswick Hub - Beswick Shops	241	128	241	0	0	0	0	0	0
Levenshulme railway station - Access for All	50	0	50	0	0	0	0	0	0
Total Growth & Development Programme	**117,811**	**46,110**	**84,950**	**88,336**	**100,490**	**17,960**	**36,920**	**3,628**	**3,642**
Our Town Hall refurbishment	82,266	40,206	68,655	83,552	86,438	35,906	46,631	0	0
Total Town Hall Refurbishment Programme	**82,266**	**40,206**	**68,655**	**83,552**	**86,438**	**35,906**	**46,631**	**0**	**0**
Brunswick PFI Land Assembly	210	31	30	526	180	0	526	0	0
Collyhurst Regeneration	0	4	5	997	992	2,700	2,700	0	0
Collyhurst Land Assembly Phase 1	29	0	0	0	29	0	0	0	0
Collyhurst Land Acquisitions Phase 2	210	0	0	799	210	0	799	0	0
Eccleshall Street - 3 Sites	0	253	253	500	247	0	0	0	0
Private/RTB - Acquisition/Comp/Relocation	200	0	0	1,261	0	989	1,470	0	980
Miles Platting PFI Land Assembly	141	159	159	266	248	0	0	0	0

Disabled Facilities Grant	8,088	7,294	9,000	7,628	6,716	0	0	0	0
Toxteth St CPO & environmental works	0	1	1	0	0	0	0	0	0
Bell Crescent	0	0	0	0	0	482	482	0	0
HCA Empty Homes Cluster Phase 2	248	35	248	683	683	0	0	0	0
Redrow Development Phase 2 onward	10	2	10	4	4	0	0	0	0
West Gorton Phase 2A Demolition & Commercial Acquisitions	348	0	0	904	348	0	904	0	0
HMRF	29	5	29	89	89	0	0	0	0
Extra Care	0	0	0	1,245	1,245	1,200	1,200	0	0
Moston Lane Acquisitions	0	0	0	0	0	0	0	7,500	7,500
Equity Loans	0	0	0	397	397	0	0	0	0
West Gorton Community Park	23	37	37	0	0	0	0	0	0
Ben St. Regeneration	352	8	245	626	733	0	0	0	0
Marginal Viability Fund - New Victoria	1,905	1,655	1905	0	0	0	0	0	0
This City Housing Delivery Vehicle	12,669	1,798	2700	23,000	20,000	0	12,969	0	0
Social Housing Decarbonisation Fund	794	777	777	0	0	0	0	0	0
Rough Sleepers Accommodation Programme	1,980	922	1980	0	0	0	0	0	0
Housing Affordability Fund	9,111	0	500	0	4556	0	4055	0	0
Sprinkler Systems – Tower Block PFIs Private	147	0	0	0	15	0	70	0	62
Local Authority Housing Fund	0	0	0	0	0	0	0	0	0
Total Private Sector Housing Programme	**36,494**	**12,981**	**17,879**	**38,925**	**36,692**	**5,371**	**25,175**	**7,500**	**8,542**
Charlestown - Victoria Ave multistorey window replacement and ECW - Phase 1	4,225	2,723	3543	100	402	0	380	0	0
External cyclical works phase 3b Ancoats Smithfields estate	60	0	0	30	90	0	0	0	0
Environmental improvements Moston corrolites	0	0	0	22	0	0	0	0	0
ENW distribution network phase 4 (various)	25	17	36	0	162	0	0	0	0
Various Estate based environmental works	94	26	80	74	88	0	0	0	0
Moston Corrolites external work	93	80	90	106	91	0	18	0	0

Charlestown Clifford Lamb Court Reroofing	393	389	403	32	10	53	12	0	0
Higher Blackley Central House Door Entry System	0	0	0	16	0	0	0	0	0
Ancoats Anita St/ George Leigh St Estate	250	0	0	1,266	950	168	734	0	0
Monsall High Rise Blocks Various Works	50	0	0	3,650	2775	1,692	1692	0	925
Riverdale Sandyhill Court Various Works	100	0	0	1,437	1153	137	521	0	0
Newton Heath Croyden Drive Various Works	100	0	0	857	718	0	239	0	0
New Build Bungalows - Rectification Work	10	0	0	140	0	0	150	0	0
Riverdale Maisonettes	1,163	4	0	1,366	1895	0	632	0	0
Newton Heath High Rise Blocks Improvements	100	0	20	7,612	4197	4,777	5221	0	3051
Woodward Court external concrete repairs and Enveloping	500	0	500	2,505	1505	0	1000	0	0
West Gorton Balconies	350	0	350	0	0	0	0	0	0
Retaining Walls	179	25	92	118	205	0	0	0	0
Delivery Costs	980	346	655	2,188	1501	888	1297	0	603
Harpurhey - Monsall Multis Internal Works	101	0	0	0	101	0	0	0	0
Newton Heath - Multies Internal Works	179	0	46	0	47	0	0	0	0
Various - Bradford/Clifford Lamb/Kingsbridge/Sandyhill Court Internal Works	28	0	0	32	28	0	0	0	0
Charlestown - Rushcroft/Pevensey Court Internal Works	24	18	33	19	5	0	0	0	0
Collyhurst - Mossbrook/Roach/Vauxhall/Humphries Court Internal Works	0	0	0	27	0	0	0	0	0
Decent Homes mop ups phase 10 and voids	0	0	0	70	70	0	0	0	0
One off work - rewires, boilers, doors	7	0	7	0	0	0	0	0	0
ERDF Heat Pumps	1,573	377	1291	106	388	0	0	0	0
Charlestown - Rushcroft/Pevensey Courts Lift Refurb	350	279	396	187	141	0	0	0	0
One off type work (rewires/boilers/doors)	14	12	14	0	0	0	0	0	0
Fire Risk Assessments	5,070	619	799	1,384	1,046	0	4609	0	0
Rushcroft and Pevensey Courts Ground Source Heat Pumps	84	0	25	0	59	0	0	0	0

Newton Heath Troydale and Croyden Drive Low Rise Estates	123	1	23	198	58	0	100	0	0
Responsive Investment Works	254	42	43	196	0	0	0	0	0
Retirement blocks various M&E/H&S works	85	86	107	51	0	0	0	0	0
One off type work such as rewires boilers doors	17	4	17	0	0	0	0	0	0
Harpurhey Monsall Estate (Excluding High Rise and 40 properties around Cannons Grove)	1,877	1,194	1446	481	0	0	912	0	0
Harpurhey Shiredale Estate (Including Replacement Floors)	551	676	1044	161	0	0	181	0	0
Cheetham Halliwell Lane Estate Internal Works	1,416	940	1391	623	648	0	0	0	0
Higher Blackley South Estate Internal Works	1,750	934	1513	318	54	0	501	0	0
New Lightbowne Estate Halliford & Thorverton	1,054	649	711	284	47	0	559	0	0
Newton Heath Estates Internal Works	50	0	155	984	575	115	0	0	0
Monston New Moston Estates Internal Works	50	0	0	1,730	1347	198	433	0	198
Higher Blackley North Estate Int Works	100	0	42	2,850	1984	2,384	3308	0	0
Individual Gas Boiler Replacement Programme	376	0	0	696	795	118	262	0	0
Newton Heath Duncan Edwards Court	33	0	26	0	9	0	0	0	0
Harpurhey Kingsbridge Court Gas Boiler	100	0	0	1,311	1411	157	157	0	0
Charleston Victoria Ave HR Blocks Lift	50	0	0	1,250	720	1,008	1008	0	580
Collyhurst High Rise Lift Programme	50	0	0	1,050	600	748	748	0	500
Moston Bradford & Charleston Whitebeck	100	0	70	15	80	0	0	0	0
Bradford Court enclosed platform lift	20	0	0	0	0	0	20	0	0
Whitemoss & Cheetham Hill Office Toilets	10	0	0	90	0	0	100	0	0
Ancoats Smithfield Estate Internal Works	153	39	69	39	0	0	3	0	0
One Off type work - rewires/boilers/doors	304	244	304	0	0	0	0	0	0
Avro Hollows District Heating	114	98	114	0	0	0	0	0	0
One Off type work - rewires/boilers/doors	150	252	383	350	350	0	0	0	0
Responsive Investment Works	50	0	40	450	390	0	70	0	0
Installation of Carbon Monoxide Monitors	162	0	162	328	328	0	0	0	0

Delivery Costs	1,734	0	1898	1,848	1,419	614	1130	0	166
Various Locations - bringing bedsits back into use	0	0	0	116	116	0	0	0	0
Delivery Costs	0	0	0	15	15	0	0	0	0
Improvements to Homeless accommodation city wide	0	0	0	14	0	0	0	0	0
Plymouth Grove Women's Direct Access Centre	0	0	0	28	0	0	0	0	0
Improvements to Homeless Accommodation Phase 2	0	1	1	115	0	0	114	0	0
Woodward Court reroofing	38	0	6	0	33	0	0	0	0
Woodward Court lift replacement	0	0	0	434	434	0	0	0	0
Delivery Costs	5	0	1	77	71	0	0	0	0
Adaptations	43	193	193	0	0	0	0	0	0
Various Locations - Adaptations	34	0	34	0	0	0	0	0	0
Various Adaptations	1,116	457	978	500	638	0	0	0	0
Delivery Costs	60	0	225	65	0	0	0	0	0
Northwards ICT Work	2,491	136	991	1,599	1599	0	1500	0	0
Northwards Housing Programme - Unallocated	60	0	0	0	0	0	0	0	0
Collyhurst Maisonette Compensation & Dem	600	21	165	200	460	224	199	0	200
Capital Receipts - Right to Buy	0	56	56	0	0	0	0	0	0
Buy Back Properties - Right to Buy	750	394	750	278	278	0	0	0	0
North Manchester New Builds	40	17	40	0	0	0	0	0	0
North Manchester New Builds 3	9,929	4,943	8272	776	2,409	153	177	0	0
Collyhurst New Council Housing - Design Stage	78	0	0	0	0	0	0	0	0
Construction of Social Homes & Assoc PR	2,875	1,162	2754	17,729	13,783	8,546	14,022	5,000	3669
Relocation/Acq/Comp/Dem Costs - Public	180	0	0	320	0	0	275	0	225
Sprinkler Systems – Tower Block PFIs Public	786	0	0	1,754	786	1,474	1754	0	1474
Bring Bedsits Back in to Use	0	0	0	350	350	0	0	0	0
Total Public Sector Housing (HRA) Programme	**45,920**	**17,456**	**32,404**	**63,017**	**49,414**	**23,454**	**44,038**	**5,000**	**11,591**

Brookside Road Moston	17	-42	17	0	0	0	0	0	0
North Hulme Adventure Playground	46	-33	46	0	0	0	0	0	0
Roundwood Road	13	11	13	0	0	0	0	0	0
Coop North Expansion	436	303	436	0	0	0	0	0	0
Co-op Academy Belle Vue - Permanent	19,611	15290	18600	722	362	0	0	0	0
Our Lady's RC Permanent Expansion	2,167	2090	2167	0	0	0	0	0	0
Melland High School Expansion (SEN Grant)	3,777	907	2407	0	1370	0	0	0	0
The Barlow RC High School - Resource Provision	1,049	343	1049	0	0	0	0	0	0
City Centre School	5,942	252	5942	250	250	0	0	0	0
Manchester Secondary PRU	50	34	50	0	0	0	0	0	0
Manchester Academy School Bulge Class	2,600	2460	2600	0	0	0	0	0	0
Gorton Primary School	200	0	200	0	0	0	0	0	0
Dixons Brooklands Academy	24	0	24	0	0	0	0	0	0
SEND Expansions	526	437	526	0	0	0	0	0	0
Pioneer House	1,000	0	1000	2,000	2000	0	0	0	0
William Hulme's Grammar School	600	0	600	1,500	1500	500	500	0	0
Basic need - unallocated funds	0	0	0	0	1371	19,050	19,050	0	0
Universal Infant Free School Meals (UIFSM) - Allocated	2	75	2	0	0	0	0	0	0
Universal Infant Free School Meals (UIFSM) - Unallocated	0	-75	0	0	0	0	0	0	0
Abbott Primary School Fencing	0	-1	0	0	0	0	0	0	0
Broad Oak Primary School Kitchen	318	272	275	0	0	0	0	0	0
Lily Lane Primary School Windows	96	0	0	0	0	0	0	0	0
Ringway Primary roof phase 2		-1	0	0	0	0	0	0	0
Medlock Primary - Boundary Wall rebuild	80	0	31	0	0	0	0	0	0
Mauldeth Rd Rewire	0	-11	0	0	0	0	0	0	0
St Wilfreds CE Phase 1 roof repairs	12	0	12	0	0	0	0	0	0
Manley Park Primary Phase 1 roof repairs	0	-3	0	0	0	0	0	0	0

Manley Park Roof	89	-5	0	0	0	0	0	0	0
Manley Park Joinery	58	-5	-5	0	0	0	0	0	0
The Birches Special School Roof	353	0	26	0	327	0	0	0	0
Broad Oak Primary	103	20	103	0	0	0	0	0	0
New Moston Primary School	0	6	6	0	0	0	0	0	0
St. Agnes CEP Structural Repairs	656	353	656	2,232	2232	0	0	0	0
Chapel Street	182	0	0	0	182	0	0	0	0
Peel Hall Primary Emergency Heating Works	17	-24	29	0	0	0	0	0	0
St John's Primary School Heating System	109	19	80	0	0	0	0	0	0
Broad Oak Primary School Hall/Dining Room Roof	214	28	214	0	0	0	0	0	0
Button Lane Primary School Radiators and Heating	611	537	560	0	0	0	0	0	0
CharlestownCommunity Primary School Remedial Works	108	46	108	0	0	0	0	0	0
Manley Park Primary School Phase 2 Joinery repairs	219	166	219	0	0	0	0	0	0
New Moston Primary School Phase 2 Electrical Rewire	1,960	714	1960	0	0	0	0	0	0
New Moston Primary School Safeguarding Issues	152	158	152	0	0	0	0	0	0
Pike Fold Primary School Remedial Works	92	92	92	0	0	0	0	0	0
St Wilfreds CofE Phase 2 roof repairs	556	419	556	0	0	0	0	0	0
Baguley Primary School Electric Rewire Phase 2	750	662	661	0	0	0	0	0	0
Medlock Primary School New Fence	27	9	27	0	0	0	0	0	0
Chapel Street Primary School Entrance Atrium	514	0	0	0	514	0	0	0	0
Schools Capital Maintenance -unallocated	146	0	146	0	491	0	0	0	0
Early Education for Two Year Olds - Unallocated	5	0	5	0	0	0	0	0	0
Healthy Pupil Capital Funding	257	0	257	0	0	0	0	0	0
North Ridge SEN	0	-77	0	0	0	0	0	0	0
Grange School	3	0	3	0	0	0	0	0	0
Piper Hill Expansion SEN Grant	87	69	87	0	0	0	0	0	0

Grange School Expansion SEN Grant	20	0	20	0	0	0	0	0	0
Varley Street SEND Secondary School	1,000	0	1000	14,000	14000	3,100	3100	0	0
Special Educational Needs grant	638	0	0	0	638	0	0	0	0
Acquisition of land at Hyde Road	27	0	27	0	0	0	0	0	0
Nurseries Capital Fund - Unity Community	0	0	0	0	0	0	0	0	0
Lyndene Children's Home Refurbishment	58	-7	58	0	0	0	0	0	0
Varley Street Site Investigations	35	35	35	0	0	0	0	0	0
MCMA Completion works	165	0	83	0	82	0	0	0	0
Take a Breath	245	0	245	0	0	0	0	0	0
Refurbishment of 382 Wythenshawe Rd	165	0	165	0	0	0	0	0	0
Total Children's Services Programme	**48,187**	**25,523**	**43,572**	**20,704**	**25,319**	**22,650**	**22,650**	**0**	**0**
Network Refresh Programme	5,637	1072	2527	0	2,092	0	0	0	0
End User Experience	574	858	925	0	0	0	0	0	0
Microsoft 365	44	10	10	0	0	0	0	0	0
Telephony	0	20	20	0	0	0	0	0	0
TEC Digital Platform	29	0	10	0	0	0	0	0	0
Platform Compliance	37	99	37	0	0	0	0	0	0
Security Software Upgrade	650	417	615	0	35	0	0	0	0
Future Council Infrastructure Implementation – Hybrid Cloud Programme	618	0	160	0	458	0	0	0	0
ICT Investment Plan	0	0	0	0	0	337	1,037	0	0
Total ICT Programme	**7,589**	**2,476**	**4,304**	**0**	**2,585**	**337**	**1,037**	**0**	**0**
Pay and Display Machines	5	0	0	0	0	0	0	0	0
Phase 1 Implementation - Locality Plan Programme Office	251	47	251	0	0	0	0	0	0
Adults - Stepping Stone capital works	130	86	130	0	0	0	0	0	0
Integrated Working - Gorton Health Hub	11,641	10124	11,341	0	300	0	0	0	0

Elizabeth Tower GP Surgery	2,600	0	2,600	0	0	0	0	0	0
HR and Finance System Replacement project	525	344	700	900	725	0	0	0	0
VCSE Small premises works	0	0	0	500	500	500	500	0	0
Inflation	5,280	0	5,280	2,330	2,330	0	0	0	0
Total Corporate Capital Programme	**20,432**	**10,601**	**20,302**	**3,730**	**3,855**	**500**	**500**	**0**	**0**
Total Capital Programme	**575,835**	**259,395**	**443,740**	**337,669**	**379,586**	**115,370**	**188,762**	**19,012**	**34,072**

Appendix 2 – Changes to Capital Budget since outturn

Directorate	Project Name	Funding	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	Total
Corporate Services	HR and Finance System Replacement project	RCCO	525				525
Growth & Development	Wythenshawe Town centre	Capital Fund	250				250
Neighbourhoods	Hough End Master Plan - Strat Football Hub Development Costs	Borrowing	278				278
Neighbourhoods	Hough End Master Plan - Strat Football Hub Development Costs	External Contribution	51				51
Corporate Services	HR and Finance System Replacement project	RCCO		900			900
Childrens Services	Manchester Academy School Bulge Class	Government Grant	2,400				2,400
Childrens Services	SEND Expansions	Government Grant	526				526
Childrens Services	Basic need - unallocated funds	Government Grant	-526				-526
Childrens Services	Basic need - unallocated funds	Government Grant		-2,400			-2,400
Neighbourhoods	Hough End Master Plan - Strat Football Hub Development Costs	Government Grant	4,000				4,000
Neighbourhoods	Hough End Master Plan - Strat Football Hub Development Costs	Borrowing	4,302				4,302
Neighbourhoods	Hough End Master Plan - Strat Football Hub Development Costs	Borrowing		1,197			1,197
Neighbourhoods	Hough End Master Plan - Strat Football Hub Development Costs	Borrowing	1,832				1,832
Neighbourhoods	Hough End Master Plan - Strat Football Hub Development Costs	Borrowing		574			574
Childrens	St John's Primary School Heating	Government Grant					

Services	System		109				109
Childrens Services	Broad Oak Primary School Hall/Dining Room Roof	Government Grant	214				214
Childrens Services	Schools Capital Maintenance - unallocated	Government Grant	- 323				- 323
Private Sector Housing	Housing Affordability Fund (HAF)	External Contribution	1,997				1,997
Private Sector Housing	Housing Affordability Fund (HAF)	Capital Receipts	7,114				7,114
Neighbourhoods	Galleries Collection Housing	Capital Receipts	6,450				6,450
Growth & Development	Asset Management Programme	Capital Receipts	- 1,950				- 1,950
ICT	ICT Investment Plan	Borrowing			- 1,101		- 1,101
Public Sector Housing	North Manchester New Builds	RCCO	109				109
Public Sector Housing	North Manchester New Builds	RCCO		238			238
Public Sector Housing	North Manchester New Builds	RCCO			153		153
Growth & Development	Asset Management Programme	Capital Receipts	- 1,990				- 1,990
Growth & Development	House of Sport	Capital Receipts	1,990				1,990
Growth & Development	House of Sport	External Contribution	183				183
Growth & Development	House of Sport	Borrowing	533				533
Growth & Development	House of Sport	Borrowing	- 2,909				- 2,909

Growth & Development	House of Sport	Borrowing		-1,053			-1,053
Childrens Services	Dixons Brooklands Academy	Government Grant	24				24
Childrens Services	Gorton Primary School	Government Grant	200				200
Childrens Services	Basic need - unallocated funds	Government Grant	-224				-224
Neighbourhoods	National Cycling Centre	Borrowing	-264				-264
Neighbourhoods	National Cycling Centre	Government Grant	1,842				1,842
Growth & Development	Public Sector Decarbonisation Scheme	Government Grant	-1,842				-1,842
Private Sector Housing	This City Housing Delivery Vehicle	Capital Receipts	2,400				2,400
Public Sector Housing	Construction of Social Homes & Assoc PR	Capital Receipts		5,984			5,984
ICT	ICT Investment Plan	Borrowing			- 161		-161
Growth & Development	House of Sport	Capital Receipts	2,260				2,260
Public Sector Housing	Ancoats Anita St/ George Leigh St Estate	RCCO	250				250
Public Sector Housing	Monsall High Rise Blocks Various Works	RCCO	50				50
Public Sector Housing	Riverdale Sandyhill Court Various Works	RCCO	100				100
Public Sector Housing	Newton Heath Croyden Drive Various Works	RCCO	100				100
Public Sector Housing	New Build Bungalows - Rectification Work	RCCO	10				10
Public Sector	Ancoats Anita St/ George Leigh St Estate	RCCO					

Housing				1,266			1,266
Public Sector Housing	Monsall High Rise Blocks Various Works	RCCO		3,650			3,650
Public Sector Housing	Riverdale Sandyhill Court Various Works	RCCO		1,437			1,437
Public Sector Housing	Newton Heath Croyden Drive Various Works	RCCO		857			857
Public Sector Housing	New Build Bungalows - Rectification Work	RCCO		140			140
Public Sector Housing	Ancoats Anita St/ George Leigh St Estate	RCCO			168		168
Public Sector Housing	Monsall High Rise Blocks Various Works	RCCO			1,692		1,692
Public Sector Housing	Riverdale Sandyhill Court Various Works	RCCO			137		137
Public Sector Housing	Northwards Housing Programme - Unallocated	RCCO	- 2,440				- 2,440
Public Sector Housing	Northwards Housing Programme - Unallocated	RCCO		- 21,047			- 21,047
Public Sector Housing	Northwards Housing Programme - Unallocated	RCCO			- 7,599		- 7,599
Public Sector Housing	Delivery Costs	RCCO	73				73
Public Sector Housing	Delivery Costs	RCCO		956			956
Public Sector Housing	Delivery Costs	RCCO			260		260
Public Sector Housing	Newton Heath Estates Internal Works	RCCO	50				50
Public Sector Housing	Moston New Moston Estates Internal Works	RCCO	50				50
Public Sector Housing	Higher Blackley North Estate Int Works	RCCO	100				100
Public Sector	Newton Heath Estates Internal Works	RCCO					

Housing				984			984
Public Sector Housing	Moston New Moston Estates Internal Works	RCCO		1,730			1,730
Public Sector Housing	Higher Blackley North Estate Int Works	RCCO		2,850			2,850
Public Sector Housing	Newton Heath Estates Internal Works	RCCO			115		115
Public Sector Housing	Moston New Moston Estates Internal Works	RCCO			198		198
Public Sector Housing	Higher Blackley North Estate Int Works	RCCO			2,384		2,384
Public Sector Housing	One Off type work - rewires/boilers/doors	RCCO	150				150
Public Sector Housing	One Off type work - rewires/boilers/doors	RCCO		350			350
Public Sector Housing	Responsive Investment Works	RCCO	50				50
Public Sector Housing	Responsive Investment Works	RCCO		450			450
Public Sector Housing	Whitemoss & Cheetham Hill Office Toilets	RCCO	10				10
Public Sector Housing	Whitemoss & Cheetham Hill Office Toilets	RCCO		90			90
Public Sector Housing	Individual Gas Boiler Replacement Programme	RCCO	376				376
Public Sector Housing	Newton Heath Duncan Edwards Court	RCCO	33				33
Public Sector Housing	Harpurhey Kingsbridge Court Gas Boiler	RCCO	100				100
Public Sector Housing	Charleston Victoria Ave HR Blocks Lift	RCCO	50				50
Public Sector Housing	Collyhurst High Rise Lift Programme	RCCO	50				50
Public Sector	Moston Braford & Charleston Whitebeck	RCCO					

Housing			100				100
Public Sector Housing	Bradford Court enclosed platform lift	RCCO	20				20
Public Sector Housing	Individual Gas Boiler Replacement Programme	RCCO		696			696
Public Sector Housing	Harpurhey Kingsbridge Court Gas Boiler	RCCO		1,311			1,311
Public Sector Housing	Charleston Victoria Ave HR Blocks Lift	RCCO		1,250			1,250
Public Sector Housing	Collyhurst High Rise Lift Programme	RCCO		1,050			1,050
Public Sector Housing	Moston Braford & Charleston Whitebeck	RCCO		15			15
Public Sector Housing	Individual Gas Boiler Replacement Programme	RCCO			118		118
Public Sector Housing	Charleston Victoria Ave HR Blocks Lift	RCCO			1,008		1,008
Public Sector Housing	Collyhurst High Rise Lift Programme	RCCO			748		748
Public Sector Housing	Harpurhey Kingsbridge Court Gas Boiler	RCCO			157		157
Public Sector Housing	Various Adaptations	RCCO	500				500
Public Sector Housing	Various Adaptations	RCCO		500			500
Public Sector Housing	Delivery Costs	RCCO	168				168
Public Sector Housing	Delivery Costs	RCCO		1,400			1,400
Public Sector Housing	Delivery Costs	RCCO			614		614
Public Sector Housing	Delivery Costs	RCCO	50				50
Public Sector	Delivery Costs	RCCO					

Housing				65			65
Highway Services	Restoration of Ordinary Water Course	Government Grant	300				300
Highway Services	Security and Bollards	RCCO	250				250
Highway Services	Public Realm	Capital Receipts	400				400
Childrens Services	Basic need - unallocated funds	Government Grant	- 115				- 115
Childrens Services	Pioneer House	Government Grant	1,000				1,000
Childrens Services	Pioneer House	Government Grant		2,000			2,000
Childrens Services	Basic need - unallocated funds	Government Grant		- 1,656			- 1,656
Childrens Services	Basic need - unallocated funds	Government Grant			- 3,829		- 3,829
Childrens Services	William Hulme's Grammar School	Government Grant	600				600
Childrens Services	William Hulme's Grammar School	Government Grant		1,500			1,500
Childrens Services	William Hulme's Grammar School	Government Grant			500		500
Childrens Services	St. Agnes CEP Structural Repairs	Government Grant		844			844
Growth & Development	Wythenshawe Town centre	Borrowing	11,418				11,418
Growth & Development	Sustaining Key Initiatives	Borrowing				- 11,418	- 11,418
Growth & Development	Wythenshawe Town centre	Capital Fund	1,282				1,282
Growth & Development	Strategic Acquisitions Programme	Capital Fund	- 1,282				- 1,282

Neighbourhoods	Manchester Aquatics Centre	Borrowing		996			996
Neighbourhoods	Manchester Aquatics Centre	Borrowing			1,934		1,934
Neighbourhoods	Manchester Aquatics Centre	Borrowing				70	70
Corporate Services	Inflation	Borrowing				- 70	- 70
Corporate Services	Inflation	Borrowing		- 4,333			- 4,333
Corporate Services	Inflation	Borrowing			- 1,267		- 1,267
Corporate Services	Inflation	Borrowing	- 980				- 980
Neighbourhoods	Indoor Leisure - Abraham Moss	Borrowing	980				980
Neighbourhoods	Indoor Leisure - Abraham Moss	Borrowing		420			420
Growth & Development	Hammerstone Road Depot	Borrowing			4,333		4,333
Growth & Development	Hammerstone Road Depot	Borrowing		2,267			2,267
ICT	ICT Investment Plan	Borrowing			- 2,661		- 2,661
ICT	ICT Investment Plan	Borrowing			- 618		- 618
ICT	Future Council Infrastructure Implementation – Hybrid Cloud Programme	Borrowing	618				618
Public Sector Housing	Fire Risk Assessments	RCCO	4,112				4,112
Public Sector Housing	Fire Risk Assessments	RCCO		774			774

Public Sector Housing	Woodward Court external concrete repairs and Enveloping	RCCO	500				500
Public Sector Housing	Woodward Court external concrete repairs and Enveloping	RCCO		2,505			2,505
Childrens Services	Schools Capital Maintenance - unallocated	Government Grant	- 1,708				- 1,708
Childrens Services	St. Agnes CEP Structural Repairs	Government Grant	440				440
Childrens Services	New Moston Primary School Phase 2 Electrical Rewire	Government Grant	1,268				1,268
Highway Services	Manchester College Crossing Improvements	External Contribution	150				150
Neighbourhoods	Citywide Tennis Improvements	Borrowing	164				164
Neighbourhoods	Citywide Tennis Improvements	External Contribution	159				159
Neighbourhoods	Parks Development Programme	Borrowing	- 164				- 164
Public Sector Housing	West Gorton Balconies	RCCO	350				350
Strategic Development	Our Town Hall refurbishment	RCCO			77		77
Highway Services	Chorlton Cycling Scheme	External Contribution		1,000			1,000
Highway Services	Public Realm	RCCO	123				123
Growth and Development	Changing Places Toilets	Capital Receipts	75				75
Growth and Development	Changing Places Toilets	Government Grant	70				70
Growth and Development	Changing Places Toilets	External Contribution	45				45

Growth and Development	Changing Places Toilets	Capital Receipts		55			55
Growth and Development	Changing Places Toilets	Government Grant		105			105
Growth & Development	The Factory (Build)	Borrowing	25,200				25,200
Corporate Services	Inflation	Borrowing	- 10,000				- 10,000
Neighbourhoods	Highfield Park	External Contribution	150				150
Neighbourhoods	Cringle Park - Grounded Coffee	Borrowing	20				20
Neighbourhoods	Parks Development Programme	Borrowing	- 20				- 20
Highway Services	Patching Defect repairs	External Contribution	552				552
Highway Services	Patching Defect repairs	External Contribution		2,206			2,206
ICT	ICT Investment Plan	Borrowing			- 274		- 274
Public Sector Housing	Buy Back Properties - Right to Buy	Capital Receipts	300				300
Neighbourhoods	Tennis and Football Pitch Replacement	Borrowing	85				85
Growth & Development	Strategic Acquisitions Programme	Capital Fund	- 886				- 886
Growth & Development	Mayfield Park	Capital Fund	886				886
Children's Services	Take a Breath	Capital Receipts	123				123
Children's Services	Take a Breath	Government Grant	122				122
Highway	Restoration of Ordinary Water Course	Government Grant					

Services			293				293
Public Sector Housing	Installation of Carbon Monoxide Monitors	RCCO	162				162
Public Sector Housing	Installation of Carbon Monoxide Monitors	RCCO		328			328
Public Sector Housing	Northwards Housing Programme - Unallocated	RCCO	- 490				- 490
Childrens Services	Manchester Academy School Bulge Class	Government Grant	200				200
Children's Services	Our Lady's RC Permanent Expansion	Government Grant	500				500
Childrens Services	Basic need - unallocated funds	Government Grant			- 700		- 700
Growth & Development	Back of Ancoats Mobility Hub & Public Rm	Borrowing		3,740			3,740
Corporate Services	Inflation	Borrowing	- 3,740				- 3,740
Neighbourhoods	Parks Development Programme	Borrowing	- 26				- 26
Neighbourhoods	Heaton Park Orangery	Borrowing	26				26
Neighbourhoods	Cringle Park - Grounded Coffee	Borrowing	90				90
Neighbourhoods	Parks Development Programme	Borrowing	- 90				- 90
Neighbourhoods	HOME Arches	Borrowing		723			723
Public Sector Housing	Bring Bedsits Back in to Use	Government Grant		141			141
Public Sector Housing	Bring Bedsits Back in to Use	RCCO		209			209
Growth & Development	Strategic Acquisitions Programme	Capital Fund	- 160				- 160
Highway	Chorlton Cycling Scheme	External					

Services		Contribution		2,035			2,035
Highway Services	Accident Reduction and Local Community Safety schemes	Government Grant	130				130
Childrens Services	St. Agnes Structural Repairs	Government Grant		1,388			1,388
Neighbourhoods	Hough End Master Plan - Strat Football Hub Development Costs	Borrowing		445			445
Highway Services	School Crossings	External Contribution		190			190
Highway Services	Broadway Crossing Pedestrian Safety Scheme	External Contribution	38				38
Public Sector Housing	Various Adaptations	RCCO	579				579
Public Sector Housing	Northwards Housing Programme - Unallocated	RCCO	-579				-579
Children's Services	Refurbishment of 382 Wythenshawe Rd	Capital Receipts	165				165
Children's Services	The Factory (Fit Out)	Capital Receipts	7,800				7,800
Private Sector Housing	Private/RTB - Acq/Comp/Relocation	Capital Receipts		661			661
Highway Services	Parsonage Safer Streets	External Contribution	33				33
Highway Services	Great Ancoats Improvement Scheme	Borrowing		-230			-230
Highway Services	Rochdale Canal Improvement Works	Borrowing	230				230
Highway Services	Safer Streets - Manchester Cycleway	Borrowing	220				220
Highway Services	Safer Streets - Manchester Cycleway	External Contribution	30				30
Highway Services	Safer Streets - Manchester Cycleway	External Contribution		293			293

Highway Services	Other Improvement works	Borrowing	- 220				- 220
ICT	ICT Investment Plan	Borrowing			- 109		- 109
Childrens Services	Special Educational Needs grant	Government Grant		- 11,080			- 11,080
Childrens Services	Special Educational Needs grant	Government Grant	- 7,020				- 7,020
Childrens Services	Varley Street SEND Secondary School	Government Grant	1,000				1,000
Childrens Services	Varley Street SEND Secondary School	Government Grant		14,000			14,000
Childrens Services	Varley Street SEND Secondary School	Government Grant			3,100		3,100
Highway Services	Alan Turing Way Active Travel Fund	External Contribution	139				139
Highway Services	High Street – Fountain Street Active Travel Fund	External Contribution	87				87
Highway Services	Accident Reduction and Local Community Safety schemes	Government Grant	50				50

Appendix 3 – Prudential Indicators

No	**Prudential Indicator**		**Target**		**As at end Dec 22**	**Target Breached Y/N**
			£m		**£m**	
1	Estimated Financing Costs to Net Revenue Stream		5.8%		5.8%	N
2	Forecast Capital Expenditure	Non – HRA	498.2		411.4	N
		HRA	39.4		32.4	N
		Total	533.1		443.8	N
3	Forecast Capital Financing Requirement	Non – HRA	1,794.5		1,687.4	N
		HRA	321.0		321.0	N
		Total	2,115.5		2,008.4	N
4	Authorised Limits for External Debt	Borrowing	1,816.1		968.5	N
		Other Long-Term Liabilities	190.0		156.4	N
		Total	2,006.6		1,124.9	N
5	Operational Boundaries for External Debt	Borrowing	1,580.2		968.5	N
		Other Long-Term Liabilities	190.0		156.4	N
		Total	1,770.2		1,124.9	N
6	Upper Limits for Principal Sums Invested for over 364 days.		0		0	N
			Upper	*Lower*		
7	Maturity Structure of Borrowing	under 12 months	70%	0%	13.6%	N
		12 months and within 24 months	70%	0%	8.7%	N
		24 months and within 5 years	60%	0%	17.7%	N
		5 years and within 10 years	60%	0%	10.3%	N
		10 years and above	90%	30%	49.7%	N

Manchester City Council
Report for Resolution

Report to: Executive – 15 February 2023

Subject: Medium Term Financial Strategy and 2023/24 Revenue Budget

Report of: Deputy Chief Executive and City Treasurer

Summary

This report sets out the Framework for the Our Manchester Strategy and Corporate Plan priorities which provide the strategic context for the 2023/24 Budget. It also provides the financial context for the budget and the required statutory assessment of the robustness of the proposed budget.

The report also covers the issues which need to be considered prior to the Council finalising the budget and setting the Council Tax for 2023/24. This report should be read in conjunction with the suite of reports from Strategic Directors relating to budget proposals for their services, the Housing Revenue Account budget report, the Capital Strategy and Budget 2023/24-2025/26 and the Treasury Management Strategy; all contained elsewhere on this agenda.

Recommendations

The Executive is requested to:

(i) Consider the directorate Revenue Budget Reports 2023/24 and Capital Strategy elsewhere on the agenda in the context of the overarching framework of this report

(ii) Note the Deputy Chief Executive and City Treasurer's review of the robustness of the estimates and the adequacy of the reserves. This is covered in section 9

(iii) Note that the financial position has been based on the final Local Government Finance Settlement announced on 6 February together with any further announcements at that date;

(iv) Note the anticipated financial position for the Council for the period of 2023/24 which is based on all proposals being agreed (para 5.23, Table two);

(v) 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 (section 6);

(vi) Consider the detailed budget reports from individual Strategic Directors elsewhere on this agenda and the proposals for service and expenditure changes, together with the feedback from the Scrutiny Committees, in reaching decisions regarding the final budget recommendations for 2023/24

(vii) Note that the Capital Strategy and Budget 2023/24 to 2025/26 will be presented alongside this report

(viii) Make specific recommendations to Council to approve in the budget for 2023/24:

a. an increase in the basic amount of Council Tax (i.e., the Council's element of Council Tax) by 2.99% and Adult Social Care precept increase of 2% (para 6.37 – 6.41);
b. the contingency sum of £0.6m (para 6.61);
c. corporate budget requirements to cover levies/charges of £70.060m, capital financing costs of £39.507m, additional allowances and other pension costs of £8.566m and insurance costs of £2.004m (para 6.56 - 6.60, 6.62, and 6.67 - 6.69);
d. the inflationary pressures and budgets to be allocated in the sum of £22.586m; and delegate the final allocations to the Deputy Chief Executive and City Treasurer in consultation with the Executive Member for Finance and Human Resources (para 6.70 – 6.71);
e. the estimated utilisation of £13.146m in 2023/24 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 (Appendix 5, para 4.43); and
f. The planned use of, and movement in, reserves as identified in Table fourteen of the report and in Appendix 5 subject to the final call on reserves after any changes are required to account for final levies etc.

(ix) Approve the gross and net Directorate cash limits as set out in paragraph 6.91
(x) Approve the in-principal contribution to the Adults aligned budget, subject to the extension of the S75 Agreement with Manchester Foundation Trust, which will be considered by Executive in March 2023 (para 6.83);
(xi) Approve the in-principal contribution to the Better Care Fund (BCF), subject to the extension of the BCF S75 Agreement with Manchester ICS, which will be considered by Executive in March 2023 para 6.83);
(xii) Delegate authority to the Deputy Chief Executive and City Treasurer and Chief Executive in consultation with the Executive Member for Finance and Human Resources and the Leader of the Council to draft the recommended budget resolution for budget setting Council I,.7 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;
(xiii) Delegate authority to the Deputy Chief Executive and City Treasurer and Chief Executive in consultation with the Executive Member for Finance and Human Resources to administer the Council Tax Support Fund, Household Support Fund and Energy Bill Support Scheme: Alternative Funding Grant (para 6.44 – 6.46)
(xiv) Recommend that Council approve and adopt the budget for 2023/24.

Wards Affected: None directly

Environmental Impact Assessment - the impact of the issues addressed in this report on achieving the zero-carbon target for the city

The proposed 2023/24 budget will reflect the fact that the Council has declared a climate emergency by making carbon reduction a key consideration in the Council's planning and budget proposals.

Manchester Strategy outcomes	**Summary of the contribution to the strategy**
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	This report considers the medium-term financial plan for 2023/24 onwards that will underpin all of the Council's priorities as determined through the Our Manchester Strategy.
A highly skilled city: world class and home grown talent sustaining the city's economic success	
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	
A liveable and low carbon city: a destination of choice to live, visit, work	
A connected city: world class infrastructure and connectivity to drive growth	

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

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue
This report provides the framework for Revenue and Capital planning from 2023/24. This report sets out a number of proposals which are subject to consideration by Executive following that by Scrutiny Committees. The implications for the Council's revenue budget for 2023/24, if all proposals are agreed, are set out within the report. Elsewhere on the agenda are

- the Directorate Reports,
- the Housing Revenue Account Budget,
- the Dedicated Schools Grant and the Capital Strategy and Budget Report and
- the Treasury Management Strategy and Borrowing Limits and
- Annual Investment Strategy.

These reports together underpin the detailed financial spend of the Council for the forthcoming year and provide a framework for Revenue and Capital planning for 2023/24.

The latest financial position for the current financial year, 2022/23, is set out within the Global Revenue Budget Monitoring report elsewhere on the Agenda.

Financial Consequences – Capital
None directly arising from this report.

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

Executive – 16 February 2022, Revenue Budget 2022/23
Executive – 16 November 2022, Revenue Budget Update
Resources and Governance Scrutiny Committee – 10 January 2023, Provisional local government finance provisional settlement 2023/24 and budget

Structure
The structure of the report is as follows:

Appendix 2:	Savings Proposals 2023/24 to 2025/26
Appendix 3:	Investment Proposals 2023/24 to 2025/26
Appendix 4:	Legal Background to Setting the Revenue Budget and Council Tax
Appendix 5:	Reserves Strategy and schedule
Appendix 6:	Sales, Fees and Charges overview

1 Introduction and Background

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

1.2 The financial position set out in this report is based on the 2023/24 final Local Government Finance Settlement which was received 19 December 2022. The final settlement is expected in February 2023. There are not expected to be any significant changes. It is proposed that any minor revisions to the budget will be reported to budget Council and transferred to or from the smoothing reserve.

1.3 As reported to Resources and Governance 10 January 2023, the final finance settlement was at the positive end of expectations. It provided additional unringfenced inflationary funding, new and increased Social Care Grants and additional one-off resources through the continuation of New Homes Bonus and the 100% Business Rates Pilot. The additional funding announced, alongside the proposed savings and cuts will enable a balanced budget to be delivered in 2023/24.

1.4 In line with the one-year finance settlement this report sets out a balanced one-year budget for 2023/24 along with the estimated position for 2024/25 and 2025/26. The longer-term implications have been considered and these are set out, along with the strategy for ensuring financial sustainability over the long term. This report sets out the risks and uncertainties faced and the approach to ensuring financial resilience.

1.5 The financial considerations contained within this report are based on the final Local Government Finance Settlement 2023/24 and associated announcements on grant allocations. It also contains the outcome of the key decisions on council tax and business rates surpluses and bases that have been made under delegated powers by the Deputy Chief Executive and City Treasurer in consultation with the Executive Member for Finance and Resources.

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

1.7 The strategic framework remains the Our Manchester Strategy, the Corporate Plan and the Locality Plan. The Summary Council Business Plan 2023/24 describes in more detail the action being taken to deliver the Corporate Plan. The budget proposals for 2023/24 will continue to reflect the priorities set out in the Corporate Plan.

1.8 The budget proposals must be within the resources available to the Council. This report, therefore, considers the financial position considering both resources available from central government and those generated locally alongside the need to fund unavoidable cost pressures and to invest in

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

2 The Our Manchester Strategy

2.1 The first part of this report sets out the strategic and statutory context for setting the budget.

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

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

2.4 A reset process, overseen by the Our Manchester Forum, a partnership board of 35 leaders from Manchester's public, private and voluntary sectors from across the city was carried during summer 2020. A final version of the reset *Our Manchester Strategy – Forward to 2025*, was adopted by Full Council in March 2021.

2.5 To achieve our vision, our communities expressed a desire to see a renewed focus on:

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

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

- A Thriving and Sustainable City
- A Highly Skilled City
- A Progressive and Equitable City

- A Liveable and Low Carbon City
- A Connected City

2.7 Each theme now has two priority actions (We Wills) streamlined from the original Strategy, and the crosscutting priorities of equality inclusion and sustainability. Progress will continue to be monitored via the Our Manchester Forum and will be reported in the annual State of the City report.

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

3 Corporate Plan

3.1 Our Corporate Plan describes the Council's contribution to delivering the Our Manchester Strategy – Forward to 2025, over the medium-term. As this reflects the Council's medium-term priorities, the nine overall themes set out in the table below remain the same as for 2022/23. The more detailed priorities which underpin the nine themes have been updated to reflect the context looking ahead to 2023/24. Key changes which have been reflected in our updated priorities include:

- The addition of references to the importance of cross-cutting action to support residents through the Cost-of-Living crisis and the new Anti-Poverty Strategy.
- Highlighting the work on our next Economic Strategy which aims to ensure that the city's economy continues to grow and is more inclusive, and the implementation of our ambitious Housing Strategy for the next ten years.
- Greater focus on engaging children and young people as we move from Our Year 2022 to being a UNICEF Child Friendly City.
- Strengthening our work on tackling inequalities across Council services, with city wide partners, and delivering on our workforce equalities strategy.

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

Theme	Priority
1. Zero carbon Manchester *Lead delivery of the target for Manchester to become a zero carbon city by 2038 at the latest, with the city's future emissions limited to 15 million tonnes of carbon dioxide*	• Deliver the Council's role in reducing citywide CO2 emissions, influence city-wide partners to take urgent action, and deliver specific Council owned actions within the Manchester Climate Change Framework.
	• Prepare for and support the delivery of the new GM Clean Air Plan.
	• Deliver activities to reduce the Council's own direct CO2 emissions by at least 50% by 2025.
2. Growth that benefits everyone *Boost the city's productivity and create a more inclusive economy that all residents*	• Deliver key growth schemes and the protection and creation of good-quality jobs for residents, enhancing skills, and effective pathways into those jobs. Includes support to Manchester's businesses and residents affected by

participate in and benefit from, and contributing to reductions in family poverty	challenges to the international, national, and local economy.
	• Facilitate economic growth and recovery in different sectors of the economy, which supports the creation of a more inclusive economy.
	• Support more people to benefit from economic opportunities by equipping them with the skills to succeed and ensure that they are in good quality, secure work. Help to mitigate the impact of poverty by taking actions to reduce the number of people experiencing poverty, in particular given the effects of the cost-of-living crisis. Including people in work on low incomes, young people, older people, those from Black, Asian and Minority Ethnic groups, and people with long term health conditions and / or disabilities.
3. Young people *From day one, support Manchester's children to be safe, happy, healthy and successful, fulfilling their potential, and making sure they attend a school graded 'good' or better*	• All children to have access to and be fully included in high-quality education, making sure they attend a school graded 'good' or better.
	• Support more Manchester children to have the best possible start in life and be ready for school and adulthood. This includes ensuring they are engaged, their views and needs are understood and responded to; increasing access to youth, play, leisure, employment, training, and cultural opportunities.
	• Reduce number of children needing a statutory service.
4. Healthy, cared-for people *Work with partners to enable all people to be healthy and well, narrowing the gaps between the healthiest and the least healthy. Support those who need it most, working with them to improve their lives*	• Take actions to improve population health outcomes and tackle health inequalities across the city, including those exacerbated by factors such as the cost-of-living crisis.
	• Support the next phase of health and social care integration in the city, including plans to enable the continued development of Manchester Local Care Organisation (MLCO).
	• Enable delivery through the MLCO of the Adult Social Care (ASC) transformation programme – 'Better Outcomes, Better Lives' – focused on taking a strengths-based approach, supporting independence and managing demand, building on the ASC improvement programme, and embedding this into the MLCO Operating Model.
	• Reduce the number of people becoming homeless and enable better housing and better outcomes for those who are homeless.
5. Housing	• Support delivery of significant new housing in the city.

Ensure delivery of the right mix of good-quality housing so that Mancunians have a good choice of quality homes	• Ensure inclusive access to housing by the provision of enough safe, secure, and affordable homes for those on low and average incomes and taking into account cost-of-living impacts. This includes strategically joining up provision, and the improved service to residents enabled by direct control of Council owned housing in the north of the city.
6. Delivering in Neighbourhoods *Work with our city's communities to create and maintain clean and vibrant neighbourhoods, with local services, that Mancunians can be proud of*	• Place a greater emphasis on getting the basics right and invest in improving service standards.
	• Bring services together for people in places, enabling an integrated model of neighbourhood working across core public sector services including Health and Social Care (through the Integrated Neighbourhood Teams), Greater Manchester Police, Housing, and Children's services.
7. Connections *Connect Manchester people and places through good-quality roads, sustainable transport and better digital networks*	• Improve public transport and highways, and make them more sustainable, whilst increasing walking and cycling.
	• Facilitate the development of the city's digital infrastructure, to enable delivery of transformed public services and a more economically inclusive and resilient city.
8. Equality *Deliver on our equality, diversity and inclusion commitments to support Manchester's vision to be a progressive and equitable city.*	• Effective community involvement and engagement with our partners to understand our diverse communities, improve life chances, and celebrate diversity.
	• Greater accountability, partnership working and delivery of services that more closely meet the diverse needs of our communities and people.
	• As an employer, ensure a fair and inclusive working environment which recognises, values and responds to the dynamics and opportunities of a diverse workforce.
9. Well-managed council *Support our people to be the best and make the most of our resources*	• Implement the Corporate Peer Review action plan, transform the Corporate Core, deliver the Future Shape of the Council programme, along with budget reductions and savings.
	• Effectively manage our resources via budget management and planning, within our legal framework, and to support managers and performance management.
	• Ensure the Council has the right capacity, capability, and diversity to deliver great services to residents, through strategic workforce planning.

3.3 The Summary Council Business Plan 2023/24 describes in more detail the activities taking place to deliver the Corporate Plan and is attached in Appendix 1. Each service will develop a bespoke service plan which describes the achievements, priorities and activities of the services which collectively make up the Council. The service plans also describe the delivery against these cross-cutting priorities:

- Service improvement
- Zero carbon
- Equality, Diversity and Inclusion
- Taking a place-based approach to priorities, decision making and delivery
- Workforce planning
- Financial management
- Performance

4 Financial Context

4.1 The Council's net revenue budget is funded from four main sources which are Business Rates, Council Tax, government grants and use of reserves. Over the last 12 years central government funding has reduced and business rates retention has been introduced, so the ability to grow and maintain the amount of resources raised locally has become even more important for financial sustainability and is integral to the Council’s financial planning.

4.2 The budget for 2023/24 follows over a decade of austerity which began with the 2011/12 Budget. From 2010/11 to 2023/24 the Council’s Spending Power (as defined by government) has reduced by £19.1m (3.1%) compared to an England average increase of 8.1%. The drop in spending power per head, (based on the ONS 2020 Mid-Year Estimate population data), is £34.34 per head (compared to an England average increase of £79.09 per head), a difference of £113.43 per head.

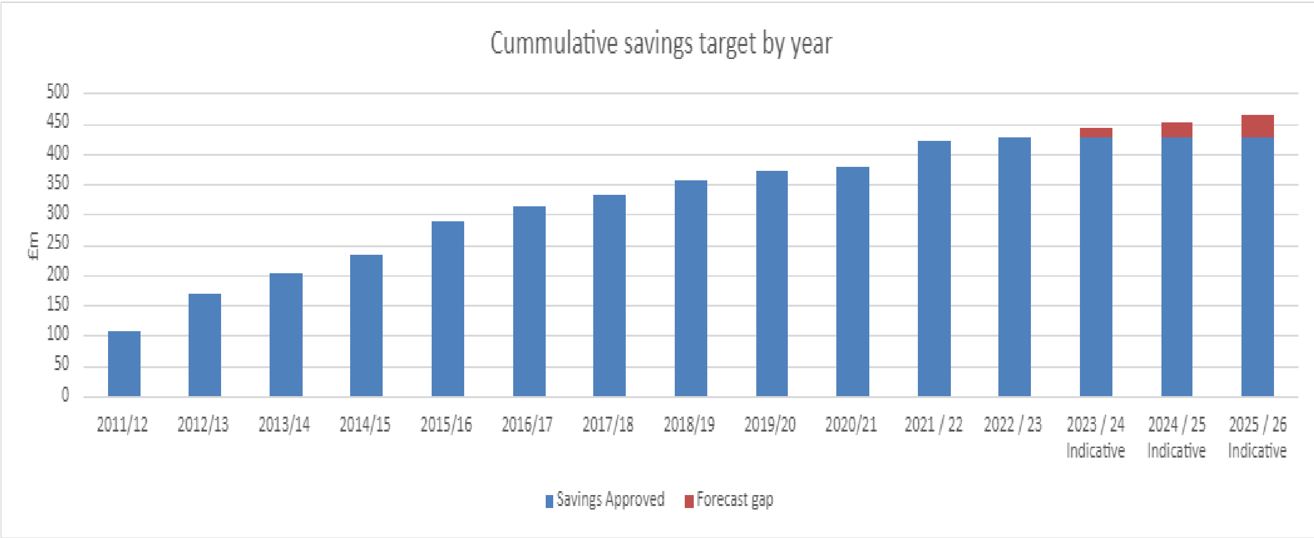
4.3 Manchester and similar authorities were disproportionately impacted by the central government grant cuts due to the methodology applied pre 2016/17 which did not take account of the ability to raise council tax penalising local authorities with a low council tax base who are more dependent on government grant funding. Manchester has almost 90% properties in council tax bands A-C which constrains the ability to raise funds from this source.

4.4 At the national level the final settlement proposals provide an increase in Core Spending Power of 9.4% and c£5.1bn additional of funding will be “made available” to councils. Of this £2.0bn relates to Council Tax and assumes that every local authority will raise their council tax by the maximum permitted.

Impact of austerity on Council finances

4.5 The Council has had to make budget cuts of £428m from 2010/11 to 2022/23 inclusive to balance its budget. In addition to these cuts, this report includes further savings proposals totalling £36.2m over the next three years. There has been a reduction of almost 4,000 full time equivalent staff (around 40% of the workforce). Recent years’ cuts have been less severe but local government spending is still much lower in real terms than it was in 2010.

Chart 1: Cumulative Savings target by year



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

- **Business Rates -** Manchester has been part of the Greater Manchester business rates 100% retention pilot since 2017/18. This was originally agreed for three years, and has subsequently been extended for a year at a time with the final finance settlement confirming this will continue for 2023/24. This means that the Council retains 100% of the additional business rates growth achieved since the start of the Business Rates Retention scheme in 2013. The Council has retained an additional £67.5m to date, with a further £10.0m share forecast in 2022/23. Overall, £338.3m has been retained by GM authorities since 2017/18, with £74.8m forecast for 2022/23;
- **Council Tax -** The success in encouraging housing growth, particularly in the City Centre, has seen an average growth in the council tax base of 2% to 3% a year for the past 7 years. Over 60% of the new housing in 2022/23 is banded in council tax band C and above with 54% (852 dwellings) being delivered in city centre wards. Despite the growth in house building in the city, the Council still has one of the lowest tax base of all metropolitan councils resulting in the lowest proportion of its funding coming from council tax.
- **Investment Income -** The Council has always been prudent in its commercial investments with the most significant being the shareholdings in Manchester Airport Group (MAG). This dates back to when Manchester Airport was a municipal airport. The Greater Manchester authorities now have a 64.5% share (with the Council having 35%, and 50% of the voting rights. The airport has enabled significant regeneration within Manchester and across the city region. In 2019/20, prior to the pandemic, the Council earned £71m from all of its various shareholdings. Income at this level is not expected to resume until after

2026/27. The interest from the loans to MAG advanced in 2018/19 and 2020/21 continue to contribute a net £12m each year to support the revenue and capital financing budgets.
- Net income from the commercial estate is budgeted at c£13m per annum, the majority of this is considered secure and stable.

5 Context and Strategy for delivering a balanced budget in 2023/24

A Changing National Context

5.1 The three-year Spending Review was published in October 2021 to set the expected spending envelope for 2022/23 to 2024/25. The local government share of the spending review was 'front loaded' to 2022/23, with no further increases for inflation or demographic pressures for the following two years. The Spending Review also announced significant Social Care Reforms to be implemented from October 2023 with additional associated funding of £3.6bn over three years, which was widely considered by the sector to be inadequate for the size of the reforms.

5.2 The Medium-Term Financial Strategy (MTFS), approved in February 2022, recognised that significant budget cuts would need to be delivered over the Spending Review period to set a balanced budget in future years. When the three-year MTFS was presented in February 2022 the budget gap was forecast at £37m, in 2023/24, increasing to £58m by 2024/25, reflecting the flat cash funding position set out in the spending review.

5.3 Since then, the national funding outlook for Local Government has become more volatile. There have been several key ministerial changes and significant shifts in government policy. In addition, the Russian invasion of Ukraine in February 2022 contributed to rapidly increasing inflation, from a forecast 2022/23 average CPI of 2.3% to an October 2022 peak of 11.1%.

5.4 Throughout Summer 2022 government advised that despite the 40 year high levels of inflation there would be no additional funding for Local Government to assist with these pressures. This was confirmed by the Truss government mini-budget 23 September 2022 which prioritised lowering taxes to stimulate the economy. This was followed by a period of market instability and rhetoric around 'Austerity Round Two' from politicians, commentators and research institutes such as the Institute for Fiscal Studies and IMF.

5.5 A review of the Council's budget assumptions was undertaken in August 2022. In the absence of any firm information a rollover settlement was assumed for 2023/24 with the impact of changes to the local government "fair" funding reforms being moved to 2024/25. The update also recognised the ongoing impact of the 2022/23 pay award and other inflationary pressures.

5.6 An emergency financial statement was delivered by the new Chancellor, Jeremy Hunt MP, on 17 October 2022, which reversed the majority of the tax changes announced on 23 September. Despite levels of inflation being significantly higher than forecast at the time of the Spending Review in

October 2021, the government continued to communicate that there would be no increase in the overall funding envelope over the spending review period. The Chancellor also committed to public debt falling as a share of the economy over the medium term which indicated that government departments were likely to have to find further efficiencies and cuts to some areas of spending.

5.7 An updated position was reported to Executive on 16 November 2022, based on the latest Government position and updated for the 2022/23 pay award and increased inflationary pressures. Inflationary and pay award increases were estimated at a cumulative £58m for 2022/23 and 2023/24. This compares to a usual budget allowance of c£16m for that period, resulting in an additional £42m of largely unavoidable costs to be funded. The forecast gap was £28m in 2023/24 increasing to £69m in 2024/25 and £96m by 2025/26. The Scrutiny meetings which took place in November 2022 took these pressures into account and were presented with savings options of £21.1m next year increasing to £42.3m by 2025/26, alongside the proposed application of more than £48m of smoothing reserves to support the spending position. This reduced the forecast gap to £7m in 2023/24, rising to £37m in 2024/25 and £54m by 2025/26. It was anticipated that further cuts and savings may be required depending on the outcome of the final settlement.

5.8 The Autumn Statement was announced on 17 November 2022 followed by a local government finance policy statement on 12 December 2022 and the provisional finance settlement published on 19 December 2022. The public sector finances “black hole” outlined by the Government is to be dealt with over 4 years, with the first two years (2023-25) addressed through mainly tax increases and the final two years (2025-27) through public sector spending cuts.

5.9 The Policy statement and final settlement did, however, set out a welcome change in direction which included:

- Funding for inflationary pressures. As previously reported Inflationary and pay award increases were estimated at a cumulative £58m for 2022/23 and 2023/24. This compares to a usual budget allowance of c£16m for that period, therefore resulting in an additional £42m of largely unavoidable costs to be funded. CPI is currently over 10% and is predicted to average 7.4% next year
- New Social Care grants to support hospital discharge and the care market. These are ringfenced with conditions
- Adult Social Care Reforms are delayed at least 2 years and the funding repurposed for social care pressures including demography, real living wage and support for the Social care market
- Confirmed current 100% business rates retention areas will continue for 2023/24

5.10 In addition, the referendum limit for Council Tax increases was increased to 5% for local Authorities with Adult Social Care responsibilities. The government figures assume the full increase will be taken. The Provisional Finance Settlement, and the Final Settlement announced on 8 February 2023, are for one year only, setting the proposed funding allocations for

2023/24, accompanied by a fairly full set of policy principles for 2024/25 for planning purposes. It provides some breathing space before funding risks re-emerge from 2025/26, when public sector spending cuts are expected as part of the four-year plan outlined by the Government.

Impact of the Final Local Government Finance Settlement

5.11 As outlined in the 10 January report to Resources and Scrutiny the broad approach in the settlement is based on:

- A uniform roll-over of the core funding elements with inflationary increases to Revenue Support Grant and business Rates related income.
- New grants and expectations for Social care
- Increased Council Tax referendum limits

5.12 The national funding announcements outlined above equate to the below for Manchester:

5.13 Increases to Core Funding Include:

- Revenue Support Grant (RSG) and Business Rates income increased by 10.1%, an increase from expectations of £25.2m. £19.1m of this reflects the decision to reflect a CPI increase of 10.1% through a 3.74% increase to the multiplier and 6.36% increase on the indexation grant. A combined 2.6% increase had been assumed in line with the SR assumptions. The remaining £6.2m is from inflating RSG at 10.1%.
- New Homes Bonus initiative has continued for one more year with the design unchanged, the Council had budgeted £5m, an additional £1.6m will be received.
- Services Grant decreased by 41% nationally. Services Grant had been expected to reduce by c£200m (c25%) nationally which was reflected in the Council's assumption of a £9.324m receipt, down from £12.324m. It has actually reduced to £7.230m, a further reduction of £2.094m.
- Lower Tier Grant has ended as expected, Manchester received £1.328m in 2022/23.

5.14 The increased Social Care funding totals £25.7m in 2023/24 rising to £38.7m in 2024/25. The grant conditions associated with this additional funding are expected early 2023 and will be heavily focused on how the social care system will support the NHS. The funding is over three grants as follows:

- ASC Discharge Fund £4.451m increasing to £7.420m aimed at reducing delayed transfers of care. The funding will need to be pooled with the NHS.
- Market Sustainability and Improvement Grant - Additional £4.4m rising to £7.5m. This grant is intended to assist local authorities to make tangible improvements to adult social care.

- Social Care Grant £18.8m rising to £25.7m - for adults and children's social care services. This is the funding originally identified for social care reforms which have been deferred.
- The original budget assumptions included a £2m grant uplift ft for Improved Better Care Fund (iBCF) which has not materialised.

5.15 The settlement increased the Council Tax referendum limit for Councils with Social care responsibilities from 3% to 5% with the general precept being 2.99% and the social care precept 2%. If this flexibility is taken by the Council, it would raise £4.055m next year and a further £4.5m in 2024/25. The government has assumed in its settlement calculations that all eligible local authorities will take the maximum increase allowed without a referendum. If Council Tax is not increased at this level the revenue stream is permanently lost and has a cumulative compounding impact as the base grows in future years.

Strategy for setting a balanced budget

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

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

- Income from the 100% Business Rates Growth Retention Pilot and one-off grant funding has been smoothed, typically over a three-year period, to enable on going investment into core services such as social care.
- With the exception of some of the loan interest from MAG, loan interest received is used to directly offset the costs of borrowing, with any additional income going into the Capital Financing Reserve. The capital programme, including the refurbishment of Our Town Hall as well as the need to deliver priorities such as affordable housing will require additional borrowing of £296m to 2025/26. The Capital Financing Reserve is deployed to ensure there are no additional pressures on the revenue budget as a result of this activity. The Council must ensure its levels of long term borrowing are proportionate to the size of the net

- revenue budget and are affordable, prudent and sustainable, in line with the CIPFA prudential code.
- The majority of airport dividend income has been used in arrears. Smoothing reserves are also in place to support volatile income such as planning fees. These measures are designed to withstand economic shocks and recessions.
- Risks are regularly reviewed, and mitigations put in place.

5.18 The budget report to Resources and Governance Scrutiny on 10 January 2023 set out a series of principles to frame the finalising the revenue budget:

- £16m of reserves per annum were being used to close the pre Settlement budget gap. Reserves should be a last resort and the final Finance Settlement has pushed the majority of funding risks and uncertainty to 2025/26. The planned use of reserves needs amending to reflect the changing risk profile. The use of the smoothing reserve will be rephased to support a sustainable position, particularly to support closing the budget gap in 2024/25 and to deal with the significant risks faced in 2025 and beyond.
- Recommendation to increase the Council Tax precept so this is reflected in the base, but that this is alongside targeted support to the VCSE and residents who are most vulnerable and to support the delivery of the care market sustainability plans. A second month long consultation on the council tax levels commenced on 10 January 2023.
- Adult Social Care - to put the budget on a sustainable footing, appropriate costs such as demography and real living wage are met from the additional ringfenced grant funding.
- Where there are additional costs and requirements the grants are passported through to meet them and the funding is used to provide investment to meet real pressures, social care improvement priorities and invest to save approach which will help the future position

5.19 The final finance settlement gave some scope for targeted additional investments which will put the council in a more sustainable position in advance of the next spending review in 2025. It has also allowed a review of the timing and quantum of the proposed cuts and savings measures. The final recommended budget includes the following:

Additional Costs and Investment

5.20 The budget includes additional investment proposals in the following areas. Full details are included in the relevant scrutiny committee reports and included at Appendix 3.

- Cleaning the city and infrastructure planning – additional investment to ensure there are the resources to clean the city and district centres and effectively resource our infrastructure planning including the City Centre and Active Travel strategies.
- Aligned to this will be investment in the capital programme for community and neighbourhood assets and the establishment of a small

fund to facilitate small emergency repairs or improvements, for example to fix a broken swing or add a bin to the collection.
- Investment in homelessness service to meet increased demand and increased dispersed accommodation fees
- Additional investment in Children's Services to meet higher placement costs and invest in resilience and prevention.
- Investment in adult social care to strengthen practice and investing in preventative services
- Additional funding for the cyber security team
- Additional funding for improved support to our disabled staff

Cuts and Savings

5.21 The financial settlement has provided some additional flexibility and headroom, so savings have been reviewed and it is now proposed that savings options of £36.2m are progressed, a reduction of £6.1m overall. Details of the proposed changes are included in the relevant scrutiny committee report. The updated summary is shown in the table below and the detail included at Appendix 2.

Table One: Revised Savings proposals

	Amount of Saving				Indicative FTE impact
	2023/24	2024/25	2025/26	Total	
Directorate	**£'000**	**£'000**	**£'000**	**£'000**	
Adults Services	4,142	2,200	2,200	**8,542**	-
Public Health	730	-	-	**730**	3
Children's Services	4,411	3,920	3,394	**11,725**	-
Neighbourhoods	545	1,135	1,772	**3,452**	3
Homelessness	1,244	2,070	1,332	**4,646**	-
Corporate Core	3,365	677	1,089	**5,131**	27
Growth and Development	959	170	815	**1,944**	1
Total profiled savings options	**15,396**	**10,172**	**10,602**	**36,170**	**34**

Impact on the Medium Term Financial Plan

5.22 Taking into account the above changes to the financial assumptions; the impact of the Autumn Statement and final Finance Settlement; the setting of the Council Tax and Business Rates base and Collection Fund surplus and the changes to savings and investment proposals, the forecast budget position is shown in the Table Two.

5.23 The next section of the report sets out the detailed Revenue Budget and assumptions for 2023/24 and 2024/25 that underpin the Medium Term Financial Plan.

Table Two: Summary of Resources Available and Budget Requirement

	Revised 2022 / 23 £'000	2023 / 24 £'000	2024 / 25 £'000	2025 / 25 £'000
Resources Available				
Business Rates / Settlement Related Funding	235,553	374,725	380,005	386,872
Council Tax	208,965	217,968	228,087	237,279
Grants and other External Funding	104,559	126,439	127,968	116,055
Dividends	0	0	0	0
Use of Reserves	141,522	17,087	31,861	28,372
Total Resources Available	**690,599**	**736,219**	**767,921**	**768,578**
Resources Required				
Corporate Costs:				
Levies / Statutory Charge	67,871	70,060	75,463	74,646
Contingency	600	600	600	600
Capital Financing	39,507	39,507	39,507	39,507
Transfer to Reserves	24,638	1,335	0	0
Sub Total Corporate Costs	*132,616*	*111,502*	*115,570*	*114,753*
Directorate Costs:				
Additional Allowances and other pension costs	7,316	8,566	8,566	8,566
Insurance Costs	2,004	2,004	2,004	2,004
Inflationary Pressures and budgets to be allocated	(7,169)	22,586	38,060	78,102
Directorate Budgets	555,832	591,561	603,721	605,545
Subtotal Directorate Costs	*557,983*	*624,717*	*652,351*	*694,217*
Total Resources Required	**690,599**	**736,219**	**767,921**	**808,970**
Shortfall / (surplus)	**0**	**0**	**0**	**40,392**

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

- Budget Reports aligned to scrutiny committee remits
- Zero Carbon Budget Report
- Capital Strategy and Budget
- Housing Revenue Account
- Treasury Management Strategy and Annual Investment Strategy

6 Underpinning Financial Assumptions

6.1 This section of the report summarises the detailed assumptions which underpin the funding, income and expenditure assumptions held within the medium term financial plan, and reflect the outcome of the settlement, the final savings and investment proposals highlighted above.

Resources Available

6.2 The table below shows the total resources available to support the Council's net budget position.

Table Three: Summary of resources available

	Revised 2022 / 23 £'000	2023 / 24 £'000	2024 / 25 £'000	2025 / 26 £'000
Resources Available				
Business Rates / Settlement Related Funding	235,553	374,725	380,005	386,872
Council Tax	208,965	217,968	228,087	237,279
Grants and other External Funding	104,559	126,439	127,968	116,055
Dividends	0	0	0	0
Use of Reserves	141,522	17,087	31,861	28,372
Total Resources Available	**690,599**	**736,219**	**767,921**	**768,578**

Settlement Funding Assessment and Spending Power

6.3 The Council receives a formula driven Settlement Funding Assessment (SFA) from Government which comprises of their assessment of the level of Business Rates income, or Business Rates Baseline and the Business Rates Tariff. As the Council is part of the 100% retention pilot Revenue Support Grant (RSG) is not included in the SFA determination and is instead funded from retained rates income. In 2023/24 SFA is £252.6m.

6.4 Core Spending Power (CSP) is a measure of the resources available to local authorities to fund service delivery. It sets out the money that has been made available to local authorities through the final Settlement and includes SFA, indexation grant relating to business rates, an assumed Council Tax requirement, Improved Better Care Fund, New Homes Bonus, Social Care and associated grants and Services Grant. CSP for the Council in 2023/24 is £604.1m, which is a 3.1% reduction on 2010/11 levels. Nationally CSP has increased by 8.1%, or a £79.09 increase per head of population, compared to Manchester's £34.34 reduction per head.

6.5 If the Council had received the national increase it would have £69.6m additional funding per annum.

Business Rates Related funding

6.6 The Business Rates funding regime is becoming increasingly complicated and is make up of a number of different elements, including Business Rates Income, Business Rates Top-up or tariffs and Section 31 Grants from government. All income in relation to business rates yield is accounted for within the business rates collection fund account, with tariff and Section 31 grant being outside the collection fund. In order to have a complete picture of the business rates position the income from the collection fund and the grants have to be viewed together. The table below shows the various funding elements each year.

Table Four: Business Rates related income

	100% retention		50% retention	
	Revised 2022 / 23	**2023 / 24**	**2024 / 25**	**2025 / 26**
	£'000	**£'000**	**£'000**	**£'000**
Business Rates Baseline (per DLUHC)	329,127	360,598	191,685	195,519
Difference from baseline	(34,413)	(18,929)	6,166	8,605
Forecast Share of Business Rates Income	**294,714**	**341,669**	**197,851**	**204,124**
Revenue Support Grant	0	0	72,088	73,530
Public Health	0	0	55,246	55,246
Business Rates Top Up / (Tariff)	(35,031)	(52,774)	7,496	7,646
Business Rates S31 Grants (non-COVID)	68,217	87,595	44,924	46,327
Forecast share of Business Rates Pilot Income to GMCA (25%)		(4,800)		
Timing adjustments due to Collection Fund accounting	8,999	(11,399)	2,400	
Surplus / (Deficit) related to S31 Grant Extended Retail Relief	(107,714)	3,905	0	0
Estimated Surplus relating to 2022/23		11,383		
Surplus adjustment relating to 2021/22		12,826		
Estimated Surplus relating to 2021/22	15,103			
Surplus adjustment relating to 2020/21	4,945			
Estimated deficit relating to 2020/21 (total £41.039m spread over 3 years)	(13,680)	(13,680)		
Business Rates related income	**235,553**	**374,725**	**380,005**	**386,872**
Memo: Smoothing via reserves:				
Extended Retail Relief *	83,961			
Compensation for irrecoverable losses	1,895	7,036		
Business Rates Reserve (S31 COVID Additional Relief Fund S31)	23,753			
Business Rates related income	**345,162**	**381,761**	**380,005**	**386,872**

*The reliefs that were granted under Extended Retail Relief to the retail, leisure and hospitality sectors and under Covid Additional Relief Fund as a result of the COVID-19 pandemic result in a reduction in business rates due but are fully funded by section 31 grant. The amount of grant received in 2021/22 is carried forward in reserve and used to offset the correlating deficit in 2022/23.

The Tariff and Top-Up System and 100% Business Rates Retention Pilot

6.7 The Council has been part of a pilot scheme to retain 100% of additional business rate growth in Greater Manchester since 1 April 2017. The pilot set a growth baseline above which the ten Greater Manchester authorities retain 100% of growth for the length of the pilot. The Business rates funding, or baseline, is adjusted to take into account assessed need with either a payment to government where income is above need (tariff) or receipt of a grant where it is below (top up). This is designed to ensure there is sufficient funding available to the local authority to deliver essential services and acts to redistribute funding from higher tax areas to lower tax areas.

6.8 On commencement of the 100% pilot the Council became a tariff authority (paying surplus money to the Government) rather than a top up authority as it was under the 50% scheme. The final Finance Settlement confirmed that the 100% Business Rates Growth Retention Pilot will continue for 2023/24, although there has been no confirmation beyond this date.

6.9 Under the 100% pilot agreement, Revenue Support Grant (RSG) and Public Health grant funding is rolled into the business rates system rather than receiving them as separate grants. As part of the Finance Settlement, it was announced that RSG would also increase by 10.1% for CPI (along with the grants now rolled into RSG, primarily Council Tax Support Admin Subsidy grant). As the Council is part of a 100% business rates pilot this is reflected within an adjustment to the Council’s tariff, with an overall increase of £17.7m on last year being is payable to government.

6.10 The top up and tariff for 2023/24 is adjusted at local level to counteract the local impact of the revaluation, which is measured at gross rates levels pre and post the revaluation, with an adjustment for appeals and properties transferred to the Government’s central list.

6.11 The allocation for Public Health Grant has not been confirmed yet and for budget setting purposes is assumed to be at the 2022/23 amount. Once the grant is confirmed the tariff and top-up will need to be recalculated by central government.

6.12 For budget planning it has been assumed the Council will revert to a 50% share from 2024/25 onwards. This means the share of Business Rates Income retained locally is reduced and the Council would again receive RSG and Public Health grant. RSG is index linked to CPI in 2023/24’s notional amount and Public Health grant is assumed to be cash flat (RSG at £67.121m and Public Health £55.246m).

6.13 Business rates income would usually increase in line with the September CPI through an upward adjustment to the multiplier. Periodically the market rental values of properties are revalued, with 2023/24 being the first year of a new valuation period. In a revaluation year the multiplier is adjusted to counteract the impact of the revaluation and ensure this is fiscally neutral at national level before any inflationary uplift is added. In the final Finance Settlement Government confirmed the 2023/24 multiplier would remain at 49.9p (and 51.2p for larger properties) the same as last year which has resulted in a net inflationary increase of 3.7% to the multiplier as a result of the revaluation and associated baseline, and a further 6.4% applied to indexation grants to arrive at September's CPI level of 10.1%.

6.14 The Government has also enhanced and introduced several new reliefs to reduce or remove rate bills for businesses. The most significant being Extended Retail Discount based at 100% relief in 2020/21, 66%-100% in 2021/22, 50% in 2022/23 and 75% in 2023/24. The Council is compensated for the loss of business rates income due to these changes through a S31 grant payment.

The Business Rates Baseline

6.15 The business rates base was formally declared on 31 January 2023 taking account of the latest data available, government announcements and fully reviewing all assumptions.

6.16 The **business rates baseline** sets the level of business rates yield government expects billing authorities to generate. This baseline was set in 2013/14, when the business rates retention scheme was introduced, and has been index linked to inflation each year since, or frozen or capped as per government announcement. The business rates baseline would usually have been fully increased in line with September's CPI, however as part of the Finance Settlement this was increased by 3.7% embedded in the multiplier and impact of the revaluation, which is offset by an adjustment to the tariff amount, resulting in a baseline of £360.598m.

6.17 The information in setting the baseline is returned to Government in the NNDR1 Return. It includes:

- Assumptions on the levels of mandatory and discretionary appeals
- A provision for business rates appeals. This has been assumed to be at 6% of the value of the business rates list based on local intelligence and the latest information from the VOA.
- A provision for bad debt. A collection rate of 97.0% has been assumed for 2023/24, reflecting a return to pre-pandemic levels of business rates collection.

6.18 The Deputy Chief Executive and City Treasurer, in consultation with the Executive Member for Finance and Resources made the decision under delegated powers to determine the Business Rates base for 2023/24 on 31 January 2023. This included the calculation of the Council's business rate income and the major preceptors share which has to be notified to the Secretary of State and the Greater Manchester Combined Authority in accordance with the Non-Domestic Rating (Rates Retention) Regulations 2013.

6.19 The City Council's business rates income used for budget setting purposes for the year 2023/24 is £341.7m.

6.20 Difference from baseline – Manchester has grown above the government set baseline, and inflation, every year since 2013/14, which includes business rates income and Section 31 grants designed to compensate councils for rates lost due to reliefs announced after baselines were set in 2013. In 2023/24 the Council is £31.7m above the Baseline Funding Level.

Business Rates Collection Fund Surplus/Deficit

6.21 Billing authorities are required under section 32 of The Local Government Finance Act 1992 to estimate any surplus or deficit on their collection fund for the year. The estimated surplus or deficit is shared between the billing authority and its major precepting authorities. The key decision relating to the declared business rate surplus or deficit is delegated to the Deputy Chief Executive and City Treasurer in consultation with the Executive Member for Finance and Resource. The decision was taken on 31 January 2023.

6.22 The Council's 99% share of the 2022/23 declared Business Rates surplus is £28.114m. This is made up of three elements as follows:

- A reduced deficit of £12.826m relating to 2021/22 which represents the difference between the Council's share of the estimated deficit for 2021/22, declared in January 2022, compared to the outturn position as at 31 March 2022. The improvement in the position was largely as a result of an improved collection rate and a reduced requirement for the non-collection provision;
- A reduced deficit of £3.905m relating to 2021/22 as less than forecast Extended Retail Relief was awarded. This relief was announced by Government after the budget offering an average of 66-100% relief to businesses in the retail, hospitality and leisure sectors with a national caps per business. This cap has resulted in fewer businesses than expected accessing the relief; and
- An estimated surplus of £11.383m relating to 2022/23 that was declared at the end of January 2023. The Extended Retail Relief (now rebadged as Retail, Hospitality & Leisure Relief and included in the budget) offers 50% relief capped at £110k per businesses. At budget setting the estimated award level was based on all eligible businesses accessing the relief. This was not the case and most authorities, including Manchester, are reporting significant reductions in award levels.

6.23 Finally, there is the mandatory deficit adjustment of £13.680m relating to 2020/21 and declared in 2021/22. The 2020/21 deficit totalled £41.039m. All Councils were mandated to spread this deficit equally over a three-year period between 2021/22 and 2023/24 as a response to the impact of deficits during the pandemic.

6.24 **Compensation for irrecoverable losses –** In 2021/22 the Government agreed to fund local authorities for 75% of irrecoverable losses in rates income relating to 2020/21 once additional section 31 grants had been taken into account - an amount of £19.219m was received and transferred to reserves and drawn down over 3 years from 2021/22 to 2023/24, the final element of £7.036m is being applied in 2023/24.

Business Rates Section 31 Grants

6.25 Section 31 grants are awarded to offset the reduction in business rates yield due to the changes announced by the Government after the baselines were set in 2013. These include:

- Grants to facilitate the extension and enhancement of the 100% Small Business Rates Relief
- Reliefs introduced in response to the pandemic, namely Extended Retail Relief (Retail, Hospitality and Leisure Relief), which applied and 50% in 2022/23 and 66-100% in 2023/24 with national caps;
- COVID Additional Relief Fund in 2022/23
- Supporting Small Business Relief which caps the 2023/24 increase in rates bill for small businesses to £600 per annum.

6.26 All grants reflect Manchester’s increased share due to being part of the 100% rates retention pilot and are shown in the table below:

Table Five: Forecast Business Rates Grants

	Revised 2022 / 23	2023 / 24	2024 / 25	2025 / 26
	£'000	**£'000**	**£'000**	**£'000**
Multiplier Cap 2021/22	28,890	58,367	33,307	34,420
Small Business Rates Relief	18,889	16,855	8,897	9,065
Supporting Small Business	77	2,449	1,258	1,390
Extended Retail Discount / Nursery Relief	32,768	39,556	0	0
COVID Additional Relief Fund (CARF)	2,428	0	0	0
EZ Relief (100% retained)	532	203	203	166
Adjustment to Top up/Tariff in relation to multiplier cap	(15,367)	(29,834)	1,259	1,286
Total Business Rates Grants	**68,217**	**87,596**	**44,925**	**46,327**

Enterprise Zones

6.27 The cost of discounts awarded to qualifying businesses within the Enterprise Zones (EZ), are reimbursed to the Council. The amounts reduce from 2023/24 onwards as businesses can only access relief for five years if locating into the zone within five years of its creation. As the Manchester Airport City EZ was created in April 2013, with the Airport City 2, Manchester Foundation Trust and Manchester Science Park EZs following in April 2016, new businesses locating in any EZ are no longer receiving relief and that applied is expiring.

6.28 The estimate for 2023/24 anticipates that there will be growth above the EZ baseline in the Manchester Science Park and Manchester Airport City. Growth in the Science Park is ringfenced to reinvestment within the EZ and will fund the costs of the enterprise zone growth manager and marketing activities to attract businesses to the zone. Growth in the Airport Zone will be passed to the Local Enterprise Partnership for reinvestment.

Council Tax

Council Tax Base

6.29 The Deputy Chief Executive and City Treasurer, in consultation with the Executive Member for Finance and Resources made the decision under delegated powers to determine the Council Tax base for 2023/24 on 31 January 2023. The calculation of the amount of the council tax base is, in essence, the number of dwellings in a billing area falling within each valuation band represented as Band D equivalents.

6.30 This is adjusted for discounts and exemptions, such as single occupancy, unoccupied houses, various disregards and student exemptions. Student exempt properties are forecast to return to pre-pandemic levels in 2023/24 with a return to face to face tuition.

6.31 A further reduction is made to reflect Council Tax Support claimants. In 2023/24 this has been adjusted to reflect the Office of Budget Responsibility’s forecast unemployment increase, which was released at the Autumn Statement.

6.32 The forecast council tax collection rate has been increased from 95.5% to 96.5% in 2023/24, returning to pre-pandemic levels, increasing the forecast income by £1.9m.

6.33 An increase in the council tax base of 2.0% (from the previous year’s approved position) reflecting housing growth within the city. This brings an additional £4.2m income.

Council Tax Collection Fund Surplus / Deficit

6.34 The Deputy Chief Executive and City Treasurer, in consultation with the Executive Member for Finance and Resources made the decision under delegated powers to determine the Council Tax balance for 2022/23 on 16 January 2023. There is a 2022/23 Council Tax surplus of £5.118m relating to the differences between forecast and actual income for 2021/22 (£0.783m) and the forecast position for 2022/23 (£4.335m).

6.35 The improved position in 2021/22 was due to lower than forecast student exemptions with online lectures continuing through the academic year following the pandemic and higher than estimated housing completions.

6.36 The main reasons for the Council's 2022/23 surplus of £4.335m are as follows:

- £1.8m due to increased tax base following delivery of new homes, above that forecast, with a greater proportion of properties being delivered in the higher bands;
- A reduction in numbers on Council Tax Support (CTSS) numbers. Overall claimant numbers have decreased by 2,379 (-4.7%) from December 2021 to December 2022, with working aged claimants reducing by 2,160 (-6.1%), resulting in a reduced cost of £2.1m;
- Adjustments to reliefs, premiums and bad debt provision increasing income by £400k;

Council Tax Precept

6.37 The Finance Settlement set out the maximum increases that can be applied to 2023/24 council tax without referenda. These are:

- Council element – 2.99%
- Adult Social Care – 2.0%
- Police and Crime Commissioner - £15
- Fire and rescue - £5
- Mayoral Combined Authority precept - No limit.

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

6.39 The changes to the council tax receivable by the Council for 2023/24 are set out below:

- Referendum criteria – The Spending Review confirmed the general referendum threshold at 3% for the Council's other expenditure, (excluding adult social care). This will generate an additional £6.1m
- Social Care Precept – the Spending review also confirmed an Adult Social Care precept of 2%. This will generate an additional £4.1m

6.40 Council is intending to take maximum precept increase of 4.99%. the table below shows the proposed increases for Bands A and D.

Table Six: Proposed Council Tax increase from 2022/23 to 2023/24

	2022/23 C'Tax	2023/24 C'Tax	Proposed Increase		Increase per week
	£	£	£	%	£
Manchester City Council - Band D	1,541.34	1,618.25	76.91	4.99%	1.48
Manchester City Council - Band A	1,027.56	1,078.84	51.28	4.99%	0.99
Band A receiving CTS at 82.5%	179.82	188.80	8.97	4.99%	0.17

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

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

	Revised 2022 / 23	2023 / 24	2024 / 25	2025 / 26*
	£'000	£'000	£'000	£'000
General rate Increase	3,801	6,067	6,341	4,465
Adult Social Care Increase	1,910	4,057	4,345	0
Change to assumed collection rate	1,910	1,911	0	0
Increase to Tax Base	10,019	4,246	4,414	4,727
Changes to annual surplus / deficits:				
19/20 Final Council Tax deficit	2,072			
20/21 Estimated Council Tax deficit - spread over 3 years			137	
20/21 Final Council Tax surplus adjustment	3,457	(3,457)		
21/22 Estimated Council Tax surplus	8,939	(8,939)		
21/22 Final Council Tax surplus		783	(783)	
22/23 Estimated Council Tax surplus		4,335	(4,335)	
Total Increased Council Tax	**32,107**	**9,003**	**10,119**	**9,192**

* It is assumed the referendum limit returns to 1.99% from 2025/26 and there is no social care precept

Council Tax Support

6.42 There are currently over 48,000 households in receipt of Council Tax support. The current level of Council Tax Support (CTS) is up to a maximum of 17.5% of a resident's council tax bill. The CTS threshold is being reviewed for 2023/24 with a view to consulting to reduce the maximum payable to 15%.

6.43 In 2022/23, in line with the increase in council tax precept the council is providing additional support to residents on CTS. The full details are set out in the Corporate Core Budget Report.

6.44 Corporate Core Budget Report sets out details of the various support schemes for residents that are either funded by the Council or are government funded. The latter include:

- Council Tax Support Fund. £100m announced in the settlement aimed to deliver additional support to households receiving council tax support in 2023/24. This will provide a reduction of up to £25 council tax on claimant's bills. There will also be a discretionary scheme to provide further support to the most vulnerable residents. The Council's allocation is £1.286m based on council tax support claimants to September 2022.

- Household Support Fund. £1bn of funding announced in the Autumn Statement confirmed the extension of the Household Support Fund to March 2024. This will provide targeted support for the most vulnerable residents, to help household with inflationary challenges and the significantly rising cost of living. Authorities have discretion on how this funding is used within the scope set out in Government guidance. The Council's 2023/24 allocation is expected to be £12.906m covering 12 months. The same total allocation was received across 2022/23 in the form of two separate 6-month schemes.

- Energy Bill Support Scheme: Alternative Funding Grant. The Council will receive £2.300m to facilitate the scheme on an agent basis, whereby the Council acts as an intermediary of Government to make grant payments. The scheme will provide support to households not automatically eligible for support via the Energy Bills Support Scheme which provided £400 direct discount to bills. The scheme will target households who are responsible for paying for energy used in their primary dwelling as part of a service charge, rent or other arrangement, including residents in care homes, temporary or supported accommodation, park homes or on authorised traveller sites. The scheme is due to launch in late February with payments expected to continue in 2023/24.

6.45 Final Government guidance has been received for the Council Tax Support Fund scheme; draft guidance received for the Energy Bill Support Scheme: Alternative Funding Grant; and the updated guidance for Household Support Fund is awaited. In order to be able to execute these schemes and allocate the funding to residents as quickly as possible it is recommended that the existing delegations to the Deputy Chief Executive, in consultation with the Executive Member for Finance and Human Resources are continued.

6.46 The design of any discretionary elements of the scheme will be agreed with the Council's Anti Poverty Group chaired by the Deputy Leader and will be reported back to the Executive.

Grants and other External Funding

6.47 The following table lists the other **non ring-fenced grants and contributions** expected. There are also number of direct grants which are held within the Directorate cash limit budgets and reflects the continued fragmentation of funding of local government.

Table Eight: Non Ring-Fenced Grants and Contributions

	Revised 2022 / 23	2023 / 24	2024 / 25	2025 / 26
	£'000	£'000	£'000	£'000
Better Care Fund (Improved)	31,748	31,748	31,748	31,748

	Revised 2022 / 23	2023 / 24	2024 / 25	2025 / 26
	£'000	£'000	£'000	£'000
Children's and Adult's Social Care Grant	31,924	50,695	57,645	57,645
Market Sustainability and Fair Cost of Care Fund	1,800	6,243	9,348	9,348
Adult Social Care Discharge Fund		4,451	7,420	7,420
Services Grant	12,324	7,230	7,230	7,230
Lower tier services grant	1,328	0	0	0
New Homes Bonus Grant	9,857	6,637	0	0
Loan Income from Airport	6,913	6,913	6,913	0
Contribution from GM Integrated Care Board	4,000	4,000	4,000	4,000
Education Services Grant	1,200	1,055	1,055	1,055
Housing Benefit Admin Subsidy	2,514	2,514	2,514	2,514
Council Tax Support Admin Subsidy (rolled into RSG from 2023/24)	856	0	0	0
Care Act Grant - Prison only from 16/17	95	95	95	95
Proposed share of £20m waste rebate		4,498		
Proposed share of further £2m waste rebate		360	0	0
Settlement Risk	0	0	0	(5,000)
Total Non Ring-fenced Grants and Contributions	**104,559**	**126,439**	**127,968**	**116,055**

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

- **Better Care Fund (Improved)** - was created in the 2015 Spending Review and increased in the Spring Budget 2017 to provide local government with new funding for adult social care. This was provided to ensure that councils could take immediate action to fund care packages for more people, support social care providers and relieve pressure on the NHS locally. This grant is being used to fund priorities and pressures within Adult Social Care. In 2023/24 this grant retained the same distribution and quantum as 2022/23 giving the Council an allocation of **£31.748m.**
- **Children and Adults Social Care Grant –** This was introduced in recognition of the increased pressures in Social Care. The national grant increased by £1.5bn in 2023/24. This increase reflects a Social Care Grant increase of £80m, rolling in of the Independent Living Fund totalling of £161m and savings from delaying the rollout of the adult social care charging reform of £1.265m, which has been deferred until at least October 2025 with a risk this funding will be withdrawn once reforms commence. The Social Care grant is only partially equalised with the social care precept from Council Tax and Manchester's 2023/24 allocation is **£50.695m.**
- **Market Sustainability and Fair Cost of Care Fund** – This funding is designed to ensure local authorities can prepare their markets for reform and move towards paying providers a fair cost of care, as appropriate to local circumstances and is maintained at last year's levels of £162m. A further £400m is provided nationally in 2023/24, increasing to £680m in

2024/25, to support authorities make tangible improvements to adult social care. This funding is distributed on the ASC Relative Needs Formula and the Council's 2023/24 share is **£6.243m**.

- **Adult Social Care Discharge Fund** – Announced in the Autumn Statement £300m of new grant funding in 2023/24, increasing to £500m from 2024/25, to ensure those people who need to draw on social care when they are discharged from hospital can leave as soon as possible, freeing up hospital beds for those who most need them. Distribution of this grant is in line with Better Care Fund and the Council's share in 2023/24 is **£4.451m**
- **Services Grant** - This is the second year of unringfenced allocations of Services Grant, reduced nationally to £483m to reflect the removal of employer National Insurance Contributions and fund increases in the Supporting Families programme and other elements of the settlement. The Council's share is **£7.230m**
- **Lower tier services grant** - This was a new un-ringfenced grant in 2021/22 which continued in 2022/23. The Council received £1.3m in 2022/23 which supported the overall budget position in. This grant is removed from 2023/24.
- **New Homes Bonus (NHB) Grant** – NHB was introduced in 2011 to provide an incentive for local authorities to encourage housing growth and paid annually from a top slice of RSG. The Government has proposed a new round of NHB payments in 2023/24 which will not attract new legacy commitments in future years. The allocations for 2023/24 will be funded through a £291m top slice of RSG and will be confirmed in the final settlement. The methodology will remain the same as in previous years with payments calculated as new housing and houses brought back into use (above a payments baseline of 0.4%), multiplied by the average band D council tax payment, with an additional payment made for affordable homes. The Council will receive **£6.637m.** The Government has consulted on a replacement for NHB and it is not expected to continue past 2023/24.
- **Loan Income of £6.913m** - Use of net income from the airport loan advanced in 2020/21, after allowing for the costs of interest and minimum revenue provision (MRP).
- **Contribution from GM Integrated Care Board -** This relates to the agreement of a longer-term joint funding strategy with the GM Integrated Care Board which includes the ongoing **£4m** contribution to the Adult Social Care aligned budget.
- **Education Services Grant £1.055m -** This relates to retained funding from DSG to fund statutory duties.
- **Housing Benefit Admin Subsidy of £2.514m and Council Tax Support Admin Subsidy** - allocated to local authorities to support the costs of administering the range of welfare payments payable to residents. The Council Tax Support Admin Subsidy has been rolled into Revenue Support Grant.
- **Care Act Grant £95k**- Funding allocations for adult social care duties since 2016/17
- **Proposed share of Waste rebate of £4.858m –** This reflects the return of waste reserves from the Greater Manchester Combined Authority, with a total of £30m returned to Greater Manchester authorities reflecting the 2021/22 and 2022/23 surpluses.

- **Settlement Risk adjustment** - This is a local adjustment to resources to recognise the risk around the redistribution of resources following funding reforms. An estimated adjustment of **£5m** has been made for the year of expected reforms, 2025/26 and each year beyond. This is a local estimate, and the budget will be updated once the level of grant funding for future years is known.

6.49 **Public Health Grant** is not reflected in the table above as during the 100% Business Rates pilot this is met from retained business rates. The 2023/24 allocations have still to be announced and the Council is assuming no increase on the 2022/23 allocation of £55.246m. Any increase will be reflected in a reduced business rates tariff payment to the government, with additional resources passported to the Population Health budget.

6.50 Social Care grants will total over £93m next year, almost 13% of the net budget. These are not guaranteed beyond this Spending Review Period.

6.51 The Directorate's budgets are reliant upon a range of government grants which fund specific responsibilities, these are reflected in directorate gross budgets. At this stage there are still some assumptions included for 2023/24 and budgets will be updated in year as grant announcements are made. The total grants included in the budget assumptions for each Directorate are summarised in the table below.

Table Nine: Specific Government Grants within Directorate budgets

Directorate Government Grants	**Revised 2022/23**	**2023/24**
	£'000	**£'000**
Children and Young People	386,955	451,144
Adult Social Care	2,343	359
Neighbourhoods	4,094	4,094
Homelessness	15,046	15,046
Growth and Development	8,454	8,454
Corporate Core	161,258	161,258
Total Directorate Grants	**578,150**	**640,355**

6.52 Forecast Children's grants a have increased by £64m, of which almost £50m relates to additional schools funding. This includes additional Dedicated Schools Grant of £27m, a new Mainstream Schools Additional Grant of £17m and a new School-led Tutoring Grant of £5.7m.

6.53 The reduction to Adults grants relates to Independent Living Fund of £2m which will now be received through the Social Care Grant

Use of Reserves

6.54 Where reserves are used to support the Council's overall budget position or corporate expenditure such as levies these are shown gross as part of the Resources Available. The use of these reserves totals £17m in 2022/23. Of this, £7.2m relates to Business Rates grant, £1m from the remaining airport dividend reserve, £1.3m for the delivery of the adult social care new care models and £6.4m supporting the transport levy. The breakdown is shown in table fifteen later in this report, the full detail is shown in the reserves strategy which is appendix five to this report.

6.55 Where reserves are used to fund specific costs within the budget these are included within the overall net cash limit budget and not separately identified in the Resources Available table. A detailed breakdown of reserves is shown in the appended Reserves Strategy.

Resources Required

Corporate Budgets

6.56 There are a number of costs held Corporately which have to be funded as part of the budget. These are outlined below.

Levies / statutory charge

6.57 The Council is required to pay a number of levies and statutory charges to other public sector bodies including the GMCA. These are shown in the table below:

Table Ten: Levy Payments and Payment to GMCA

	Revised 2022 / 23	**2023 / 24**	**2024 / 25**	**2025 / 26**
	£'000	**£'000**	**£'000**	**£'000**
GMCA - Waste Disposal Authority	29,956	30,632	32,164	33,643
Transport Levy	37,573	39,076	39,467	40,651
Contribution to Bus Reform	0	0	3,481	0
Environment Agency	248	258	258	258
Port Health	84	94	94	94
Probation (residuary charge for debt)	7	0	0	0
Magistrates (Residual debt)	3	0	0	0
Net Cost of Levies	**67,871**	**70,060**	**75,463**	**74,646**

6.58 The Waste Disposal Levy is paid to the Greater Manchester Combined Authority (GMCA), for the costs of disposing of the Council's household waste. Based on figures provided by GMCA the 2023/24 levy costs will increase by £0.7m inclusive of changes in costs, recycling rates and market prices for recyclates and energy, as well as one off reserve rebates. The final amount will be confirmed following the meeting of the GMCA on 10 February 2023 and may vary slightly.

6.59 The Transport Levy is to cover the costs of providing the greater Manchester integrated transport system, including the Metrolink and subsidised bus services, as well as transport infrastructure developments. The final amount will be decided as part of the GMCA budget process. It has been assumed the total level will be increased by 3% for 2023/24 although as the costs are allocated on a per capita basis the final amount will vary with the differential population growth between the GM local authorities.

6.60 The ten GM authorities have committed to contributing toward the GM Mayors bus franchising policy, and bus reform. The increase in the 2024/25 levy cost reflects the council's contribution for this.

Contingency

6.61 The unallocated contingency to meet future unforeseen expenses is £0.6m. This is deemed to be reasonable amount and should be considered in conjunction with the Council's policy on reserves.

Capital Financing Budget

6.62 The capital financing budget of £39.507m is to cover the costs of borrowing. For 2023/24 the forecast breakdown is as follows; this included:

- Costs of £92.7m as follows:
    - Interest costs of £40.7m,
    - Minimum Revenue Provision (MRP) of £37.2m, 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 investment projects and capital financing reserves of £14.6m.
- Partly offset by interest receivable of £53.2m.

6.63 The Council can only borrow to cover capital expenditure. The Capital Strategy and Budget and Treasury Management Statement are reported elsewhere on this agenda. These provide more detail on the future borrowing requirements and on the debt and MRP position. The Council is forecast to borrow an additional £565m for the three year period up to and including 2025/26, based on the current approved capital programme. To avoid the additional capital financing costs of this and any future capital investment becoming an additional call on the revenue budget the Capital Financing reserve has been established to allow the smoothing of the financing of the programme by covering the future increase in interest and MRP costs, as borrowing is drawn down. These funds increase the overall financing capacity of the programme and are committed as part of that programme.

6.64 The Strategies referenced above show how the levels of actual and planned borrowing to support the capital programme remain proportionate to the net revenue budget, and affordable without the need to increase the capital financing budget over the MTFP period and can be met by the capital financing reserve in future years. Given the impact changes in market conditions can have, for example inflation and interest rate changes, this is closely monitored throughout the year.

Transfers to Reserves

6.65 The planned transfers to reserves total £24.638m in 2022/23 and £1.335m in 2023/24. The 2022/23 transfer was approved last year and includes:

- £12m funding following the 2022/23 Finance Settlement which has been used to fund budget pressures over three years at £4m a year. £8m of this has been transferred to reserves to support the spend in 2023/24 and 2024/25.
- £16.6m transfer to business rates reserves. This included £4.9m additional rates related income following Government's announcement to continue the 100% retention pilot in 2022/23; an additional £6.4m linked to indexation of Section 31 grants, and £5.3m from an increased collection rate and reduced business rates appeals.

6.66 The Council Tax surplus of £1.335m from 2021/22 which will be recognised in 2022/23 has been transferred to the Capital Fund reserve to support measures which contribute to the economic growth of the city. A full breakdown of available reserves and their forecast use is shown is included at Appendix 5 to this report.

Allowances and Insurances

6.67 Additional **allowances for former staff and teachers' pension costs,** total £8.566m in 2023/24. These are historic pension costs of added years payments awarded to former employees. The Council no longer awards added years and has not done so for some time.

6.68 The increase from 2022/23 of £1.250m is due to the annual saving from pre-paying the councils pension contributions ending in 2022/23 (£1.750m) partly offset by a £0.5m reduction in allowance costs as the number of participants reduces.

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

Inflationary Pressures and Budgets to be Allocated

6.70 The Council makes an assessment of the impact of inflation and holds these budgets corporately until actual costs are known, after which budgets are allocated. The main assumptions are shown in the table below and detailed in the paragraphs which follow.

Table Eleven: Inflationary pressures and budgets to be allocated

	Revised 2022 / 23 £'000*	2023 / 24 £'000	2024 / 25 £'000	2025 / 26 £'000
Non Pay Inflation	(1,240)	6,476	10,818	13,807
Electricity Inflation	0	2,400	2,400	2,400
Pay Inflation	(6,958)	15,600	26,700	38,000
Reduced Pension Contribution	0	(2,950)	(2,950)	(2,950)
Apprentice Levy (0.5%)	1,029	1,060	1,092	1,124
Social Care Reforms	0	0	0	25,721
Total	**(7,169)**	**22,586**	**38,060**	**78,102**

* The negative amounts reflect the fact the actual costs were higher than budgeted in 2022/23. This has been reported throughout the year and the latest position is covered elsewhere on the Executive agenda in the Period 9 Revenue Monitoring report

6.71 Inflation has been rising throughout 2022/23 and the following provisions have been made within the draft Revenue Budget:

- Electricity es increased by almost 90% in October 2021 and a further 70% in October 2022, resulting in a £8.4m increased costs in 2022/23. An additional £2.4m budget is required in 2023/24 to reflect the full-year impact of the October 2022 increase. This will bring the total growth of the budget to £10.8m, since 2021/22.
- Pay inflation – early information on pay negotiations suggests the average pay increase could be higher than the 4% allowed during the 2022/23 budget setting. Provisionally, a 6% increase has been provided for at a cost of £15.6m. If not required the funding will contribute towards closing the remaining budget gap in 2024/25.
- Apprenticeship levy - this is payable as 0.5% of the annual pay budget.
- The core pension contribution rate to fall by 1.3%, from 17.8% to 16.5% from 2023/24 saving £2.950m. This has been informed by the actuarial valuation.
- Social Care Reforms - the planned commencement of the Adult Social Care reforms in 2025 and the risk that the Social Care Grant which is fully applied to support social care pressures could be repurposed by central government back to fund the reforms. £25.7m adjustment reflects. This is a big area of uncertainty from 2025/26 and £25.7m has been allowed for to cover the provisional risk. This will be updated as more information becomes available.

Directorate cash limit budgets

6.72 Each Directorate must manage their budget within the cash limit. This is reviewed each year and for the period of the current Medium Term Financial Strategy includes the approved savings, recommended adjustments including for increased demand or demographic growth. Funding for inflation and pay awards is held corporately and allocated once the required uplifts are agreed. The changes from 2022/23 and recommended revised cash limit budgets are shown in the table below. The paragraphs which follow summarise the main changes by directorate. The full directorate proposals have been reported to the relevant scrutiny committees and are published as part of the Executive Agenda.

Table Twelve: Change from 2022/23 Cash Limit budget to 2023/24 Cash Limit budget

		Approved Last MTFP		New Proposals		
	Revised Net Budget 2022/23	**Savings Approved Last MTFP**	**Pressures /Growth approved Last MTFP**	**New proposed savings***	**Other changes / pressures / investments**	**Proposed Net budget 23/24**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Children's	132,052	1,309	2,357	(4,411)	6,927	138,234
Adult's Social Care	191,197	(3,477)	7,919	(4,142)	20,450	211,947
Public Health	42,685	0	0	(730)	0	41,955
Corporate Core	98,321	(304)	533	(565)	6,511	104,496
Neighbourhoods (incl Highways & Homelessness)	100,351	(100)	1,000	(1,789)	5,200	104,662
Growth and Development	(8,774)	(300)	0	(959)	300	(9,733)
Total	**555,832**	**(2,872)**	**11,809**	**(12,596)***	**39,388**	**591,561**

* In addition to the £12.596m savings reducing directorate budgets there is a further £2.8m against Corporate budgets and resources bringing the total new proposed savings to £15.396m. This includes £2.3m annual trend growth in the parking reserve to be used to support transport levy and £0.5m reduction in historic pension costs.

6.73 The budget assumptions that underpin 2023/24 to 2025/26 include the commitments made as part of the 2022/23 budget process to fund ongoing demand and other pressures. Whilst this has contributed to the scale of the budget gap it is important that a realistic budget is budget set which reflects ongoing cost and demand pressures.

6.74 Full details of proposed directorate 2023/24 to 2025/26 Savings and Investments can be found in Appendix 2 - Savings Proposals and Appendix 3 - Growth and Investment.

Children's Services

6.75 Overall, the Children's net budget will increase **by £6.182m to £138.234m.** The changes include:

- Proposed savings of £3.102m include:
  - Savings previously approved – (£1.309m) reversal of a one off saving for 2022/23 and £100k full year effect Early Years saving.
  - Savings proposed as part of 2023/24 Budget Setting – These total £4.411m, including £3m for measures which have reduced demand on the budget rather than being cuts in services.
- Demographic Growth £2.357m - Looked after Children placements and Home to School Transport demographic demand which has been updated

for the current number of placements and the potential increase in demand informed by 3% population growth predictions.

- Children's Investment totalling £6.927m to address pressures including;
    - Early Years £0.940m - commissioned training support for early years high needs will no longer be charged to the DSG high needs block and will now be a cost to the Council's Early Years budget. Additional Council budget will be allocated to accommodate this transfer.
    - £3.3m focused on preventing and managing future demand to leave the council in a more sustainable position in 2025/26, including £1m for Home to School Transport for the increasing number of young people becoming eligible and/or requiring transport for longer. Investment of £0.915m for Take a Breath initiative. Children's Services is setting up two special children's homes to house the increasing number of vulnerable young people accommodated in hospital because no residential providers will take them. The homes will be jointly commissioned by Health and the Council, savings are expected to be achieved by both partners.
    - £2.687m price inflation including £1.966m funding for increased rates paid to foster carers. Current inflation and cost of living pressures have been recognised in order to support carers.

Adult Social Care

6.76 There is a Section 75 agreement between Manchester Foundation Trust (MFT) and MCC which allows for the delegation of Adult Social Care responsibilities to the Chief Executive of the Manchester Local Care Organisation (MLCO). The S75 agreement includes an aligned budget for Community Health and Adult Social Care which is planned to continue for 2023/24. Overall, the planned contribution to the aligned budget will increase by **£20.750m to £211.947m** for Adult Social Care. The S75 agreement will be updated accordingly.

6.77 Proposed changes to the Adult Social Care 2023/24 budget include:

- Savings previously approved of £3.477m - the final year of the three-year BOBL savings programme.
- Savings proposed as part of 2023/24 budget process of £4.142m.
- Additional Growth and Pressures of £7.919m.
- New grant funding and additional investment priorities of £20.450m which are set out below.

6.78 Savings proposed as part of 2023/24 Budget Setting are grouped into key themes as follows;

- Provider Services £150k – To start a substantial service redesign and improvement programme reviewing in-house Supported Accommodation, Day Services, Transport arrangements and Short Breaks. There are substantial savings expected in subsequent years.
- Net workforce saving of £1.217m – achieved by increasing the vacancy factor to 6% to more accurately reflect the current time it takes to recruit (£1.694m), less investment of £0.477m to address pressures within Community Alarms (£0.114m) and social work (£0.363m).

- Demand Management £2.275m - Achieved initially through deployment of reserves before being mainstreamed by 2025/26 following the delivery of the BOBL programme.
- Disabled Facilities Grant £0.5m, charging the costs of OT assessment to the grant on a recurrent basis.

6.79 Funding for Pressures and Growth approved last MTFP £7.919m includes;

- Increased demand associated with population growth £2.329m (Demography)
- £5.590m to fund the increase as part of the Council's commitment of funding care providers to pay the Real Living Wage to care staff.

6.80 With the introduction of the ASC Market sustainability grant, £2.095m of the £5.590m funding in the para above together with the 2023/24 BCF increase (£1.023m) will support an improvement programme focused on strengthening statutory duties, managing demand and delivering the significant savings programme in Provider Services.

6.81 New pressures and investment identified 2023/24 budget setting;

- £1.3m per year 2023-26 to sustain the social work infrastructure and reablement capacity, supporting new models of care funded via smoothing reserves.
- £3.5m towards Real Living Wage increases from Corporate Inflation
- £2m to fund the Independent Living Fund grant costs which has now been rolled into the Social Care Grant
- £4.443m ASC Market sustainability grant – passported to providers in line with the grant conditions
- £4.451m ASC discharge fund grant – ringfenced to deliver extra investment as part of the grant conditions.
- £2.027m additional 1% Precept funding to be invested in the adult social care market
- £2.729m contribution to care provider fee uplifts from the corporate inflation provision.

6.82 This brings the total additional investment into the aligned budget to £28.369m, before the savings of £7.619m are removed, giving a net increase to the Adults and Social Care budgets of £20.750m.

6.83 Better Care Fund – The BCF will continue in 2023/24 and 2024/25. Government will publish a policy framework in due course. The planning assumption is the minimum BCF contribution to social care will rise by a flat 5.66% at a health and well-being board level. This equates to £1.023m. The iBCF is not being increased for inflation. The Council and GM ICB entered into a Section 75 Better Care Fund Agreement in March 2022. The S75 will be updated for the revised BCF allocation and the Adult Discharge Fund.

Public Health

6.84 The Public Health Grant has not been announced yet. The existing Public Health 2023/24 budget will be reduced by £0.730m to **£41.955m** for the

2023/24 savings proposals. The proposals can be delivered without impacting on delivery of public health commissioned services in the city.

6.85 Investment of £3m has been identified from the Public Health reserve for Making Manchester Fairer including the kickstarter schemes. The expectation is schemes will deliver savings to the health and social care system and wider including Education, Work and Skills and Homelessness. Two kickstarter schemes have been prioritised for investment for phase 1 and are targeted at delivering the Making Manchester Fairer plan's principles, improving health equity, through an 'invest to save' approach. The schemes prioritised for investment are (i) Improving Health Equity for Children and Young People, and (ii) Early Help for Adults Experiencing Multiple and Complex Disadvantage.

Corporate Core

6.86 The Core budget will increase by **£6.175m to £104.496m**. The main changes include:

- Savings of **£0.869m** as set out in Appendix 2 to this report as follows:
    - £0.304m for the full year effect of the 2022/23 agreed savings measures for Operational Property.
    - New proposed savings as reported to February 2023 Scrutiny of £0.565m, including £150k of additional annual income targets for clamping budgets reflecting current activity levels and £200k of efficiency savings through the standardisation of processes, training of budget holders and self-service as part of the planned finance system replacement.

- New Pressures and Investments totalling **£7.044m**:
    - £0.5m - Operation Property – pre approved investment into the corporate estate as part of the 2022/23 budget approvals.
    - £0.461m – ICT - to ensure systems remain secure and avoid any security compromises additional software has been installed in 2022/23. The full year costs in 2023/24 will be c£461k per annum.
    - £3.550m investment in direct response to the unprecedented pressures facing our residents from the current cost of living crisis.
    - £2m from the precept increase to provide additional targeted investment to provide support for vulnerable residents and the voluntary and community sector.
    - £250k to provide additional capacity for ICT security and resilience and
    - £250k to invest in establishing improved support for staff with disabilities.

Neighbourhood Services

6.87 The Neighbourhoods Services cash limit budget has increased by £4.988m to **£135.295m**. This includes a Homelessness budget increase of £2.756m. The main changes include:

6.88 Budget savings and reductions of £1.889m including:

- £209k - Commercial operations and pest control - savings previously approved and income generation from traffic offences and pest control
- £119k - Compliance services and Libraries, Galleries and Culture - staffing saving that reflects staff turnover and vacancy levels.
- £127k - Parks and green spaces - relating to parking charges and reduced events
- £190k - Highways income generation from increased fees from design and project management work, increased highway inspector activity and staffing saving in highways maintenance
- £1.244m - Homelessness saving through service transformation in temporary accommodation placements, changes to the allocations procedure, the expansion of the disperse accommodation pilot and staffing savings. These will be achieved without reducing the level of service provision.

6.89 Additional budget investment of £6.2m for:

- Waste and street cleaning investment of £1.0m into waste and street cleaning and a further investment of £1.2m to support specific activity in and around the City Centre, District Centres and key arterial routes
- Additional investment of £4.0m to fund fee uplifts for dispersed accommodation and to provide capacity for invest to save measures.

Growth and Development

6.90 The Growth and Development cash limit budget has reduced by £0.959m for an increase in income. The directorate has a 2023/24 net income target of **£9.733m**, an increase from £8.8774m in 2022/23. The main changes include:

- £300k savings previously approved relating to investment estate through establishing a new ground rental portfolio secured against long leasehold disposal of land as part of the Victoria North development.
- £0.959m savings as part of the 2023/24 budget, this is due to a combination of increased investment estate income from an annual increase in Manchester Airport Group Rent, (£0.63m) cessation of invest to save recharge on a property disposal (£170k) amendments to staffing recharges (£150k) and deletion of a vacant post in Strategic Housing (£9k).
- £300k for additional resources to provide more capacity and establish a new team within City Centre Growth and Infrastructure, and to provide additional capacity to the Highways Development Specialist team to better support highways and infrastructure planning.

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

Table Thirteen: Directorate budgets

	2022 / 23 Revised		2023 / 24	
	Net Budget	**Gross Budget**	**Net Budget**	**Gross Budget**
Directorate	**£'000**	**£'000**	**£'000**	**£'000**
Children Services	132,052	528,598	138,234	601,822
Adults Services	191,197	258,615	211,947	268,300
Public Health	42,685	45,989	41,955	47,059
Corporate Core	98,321	316,569	104,496	322,861
Neighbourhoods (Incl. Highways and Homelessness)	100,351	242,991	104,662	253,461
Growth and Development	(8,774)	35,577	(9,733)	35,548
Total	**555,832**	**1,428,339**	**591,561**	**1,529,051**

Corporate Budget Savings

6.92 There are a further £2.8m saving against corporately held budgets. This is for the planned use of £2.3m of the parking reserve per annum to fund the transport levy and a £0.5m reduction in historic pension costs.

Fees and Charges

6.93 The Local Government Act 2003 provides Local Authorities with the power to charge for some goods and services that can be used to promote or improve local economic wellbeing. Income generation forms a significant part of the overall funding of the Council's budget with any income generated being used to support the delivery of front-line services. Local Authorities do not always have the ability to control the level of fees that can be charged, and in some cases the ability to use any income generated is restricted and ring fenced to specific purposes, which is often prescribed by legislation.

6.94 Full detail is shown in the Sales, Fees and Charges report at Appendix 6.

Reserves

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

6.96 The reserves include:

- Ringfenced reserves outside the General Fund. These relate to the HRA and Schools balances which the council cannot utilise.
- Statutory reserves – such as the Bus Lane and Parking Reserves, where the use of these monies is defined in statute.
- PFI Reserves – held to meet costs across the life of the PFI schemes
- Reserves to manage Economic and Commercial Risks

- Insurance Fund Reserve
- Reserves held to support the delivery, financing, and risk of the capital strategy
- Reserves to support delivery and risk of the Medium-Term Financial Plan,
- Reserves held for Accounting Purposes
- Other Specific Reserves
- General Fund Reserve

6.97 The only unearmarked reserve is the General Fund Reserve which is set to be £23.5m for 2023/24 and 2024/25. This is the only reserve to held to meet costs arising from unplanned events and unknown risks.

6.98 Where reserves are used to support the Council's overall budget position or corporate expenditure such as levies these are shown gross as part of the Resources Available. The use of these reserves totals £17m in 2022/23. Of this £7.2m relates to Business Rates grant, £1m airport reserve, £1.3m for New Care Models and £6.4m supporting the transport levy. The breakdown is shown in table fifteen below, the full detail is shown in the reserves strategy which is appendix five to this report.

6.99 Where reserves are used to fund specific costs within the budget these are included within the overall net cash limit budget and not separately identified in the Resources Available table. The following table shows an overview of the planned use of reserves in 2023/24 to support capital and revenue expenditure as part of the plans presented as part of this budget, the medium term financial plan and the capital strategy.

6.100 Earmarked reserves have reduced as the Council has sought to protect its services during the pandemic and are planned to stabilise at around £120m over the medium term.

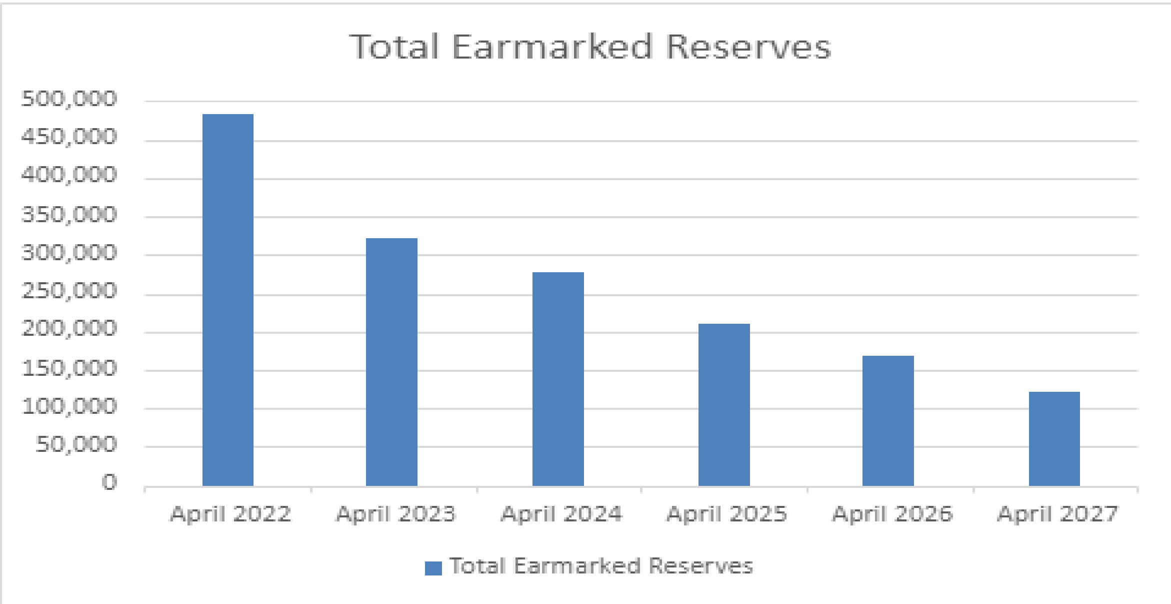
Table Fourteen: Forecast use of reserves

	2022 / 23	2023 / 24	Spend supported by the reserve
	£'000	£'000	
Reserves directly supporting the council wide revenue budget:			
Airport Dividend reserve	24,851	1,073	Used in arrears to support the revenue budget position.
General Fund	2,970	0	To support the 2022/23 budget position.
Business Rates Reserve	109,609	7,166	Business rates relief provided over the pandemic and funded by Government. Applied to offset Collection Fund deficit in arrears.
Use of St Johns growth reserve to	0	1,156	Growth in business rates income in the St Johns footprint, used to support the budget.

	2022 / 23	2023 / 24	Spend supported by the reserve
	£'000	£'000	
support revenue budget			
Adult Social Care budget for New Care Models	0	1,300	An investment to sustain the social work infrastructure and reablement capacity, supporting care models covering Crisis, Discharge to Assess and Manchester Case Management.
Bus Lane and Parking reserves	4,092	6,392	To support transport infrastructure and operations through the TfGM transport levy.
Sub Total	**141,522**	**17,087**	
Earmarked reserves:			
Bus Lane and Parking Reserves	5,188	7,044	To support costs associated with transport provision and highways / environmental improvements.
Balances Held for PFI's	433	33	Held to meet costs across the life of the PFI schemes
Managing economic and commercial risks	14,208	1,020	A significant part of the Planning Reserve will be required to support the development of the Local Plan.
Insurance Fund	500	500	Insurance fund reserve to meet uninsured risks, amount required is estimated each year.
Capital Fund Reserve	39,862	20,112	Contribution to schemes which are supporting employment and growth, future carbon reduction investments and high priority strategic development opportunities.
Investment Reserve	1,828	2,189	To fund £400k per Annum for North Manchester regeneration strategy, £0.7m over two years to support This City, and posts in Growth and Development.
Manchester International Festival Reserve	1,927	1,250	10 year grant agreement from 20
Eastlands Reserve	5,118	4,389	This reserve reflects the contribution from Manchester City Football Club and will be used for various projects including English Institute of Sport.
Town Hall Reserve	1,765	3,124	To fund revenue costs from Our Town Hall including decant costs.
Enterprise Reserve	75	99	Enterprise Reserve
Highways Commuted Sum	89	89	Highways Commuted Sum
Medium Term Financial Plan Risk Reserves	25,869	5,816	Includes funding for Our Manchester Voluntary Sector Grants) and Supporting Families reserve for Thriving Families initiative.

	2022 / 23	2023 / 24	Spend supported by the reserve
	£'000	£'000	
Reserves held for accounting purposes	7,664	7,439	Grants used over more than one year.
Making Manchester Fairer	0	2,430	To fund kickstarter schemes supporting the Making Manchester Fairer ambition
Adult Social Care Reserve	4,268	5,010	To support Adult and Social Care Improvement Plan
Other Specific Reserves	636	1,037	Includes Community Safety, Primary School Catering and Social Value Fund
Total	**250,952**	**78,668**	

6.101 The graph below summarises the position on earmarked reserves after the planned use of reserves in the MTFP.



6.102 Full details are in the reserves strategy at Appendix 5 of this report.

7 Medium Term Outlook

Budget Position for 2024/25

7.1 The final settlement included funding allocations for 2023/24 and the policy direction for 2024/25. There remain significant uncertainties for 2024/25 including the future of the New Homes Bonus scheme, he continuation of 100% Business Rates Retention Scheme, the new Extended Producer Responsibility for Packaging (ePRP) waste management levy due to be phased in from 2024.

7.2 The forecast medium-term position based on the information available indicates a 2024/25 budget gap of £16.5m. It is currently assumed this could be offset by smoothing reserve whilst longer-term savings are developed for 2025/26 and beyond. This remains subject to review and it is likely that further cuts and savings will be made for 2024/25 to help balance the budget position.

Position for 2025/26 and beyond

7.3 The current spending review period ends in 2024/25 and there is considerable uncertainty around public finances from 2025/26. The main sources of local authority funding in business rates and council tax are volatile and there are considerable reforms planned to local authority funding. The Autumn Statement outlined a four-year horizon to stabilise the public finances. The first two years rely largely on tax increases with the final two years reliant on public service spending cuts, to meet the government pledge to reduce the levels of government debt. These final two years will fall into the next Spending Review period and presents an increased level of funding risk from 2025/26 onwards.

7.4 £93m or almost 13% of the net budget is now funded by social care grants. These grants are only guaranteed for the remainder of this spending review period. It is not yet known what will happen to the delayed social care reforms and the impact this will have on the current distribution of the funding for the reforms (£1.3bn increasing to £1.9bn) which has currently been allocated using the social care funding formula to support social care pressures.

7.5 Longer term there is no guarantee that ministers will proceed with the reform proposals that were under development. The major reforms planned included the Fair Funding Review including new formulas for Public Health and Social Care Grants, a business rates baseline reset and the end of the New Homes Bonus scheme. In addition, the 2021 census will update the population figures used to allocate funding. Nationally, there has been a growing reliance on council tax to fund services with half of the growth in Spending Power since 2019/20 driven by Council Tax increases which increases the burden on the local taxpayer.

7.6 Implementation of the ‘fair funding’ review of local authority financing. The funding formulae which inform the relative need assessment of local authorities was last updated in 2013 based on numerous metrics which included population, demography and deprivation. Government has committed to update the data within this formula and to review the way funds are distributed across Local Authorities. This is known as the ‘fair funding review’. It was first promised in 2016/17 and has been delayed since then, the earliest implementation date is now 2025/26. Whilst the review is long overdue, it will lead to a potentially significant redistribution of available funds. The outcome for the council is impossible to predict as it is dependent on a complicated interaction of factors. With the total funding envelop for Local Government remains at current levels there will inevitably be gainers and losers from the changes.

7.7 The Business Rates Retention system was implemented in April 2013 as part of the Local Government Resource Reforms, whereby authorities could retain up to 50% of rates growth above the baseline. Under this system Business Rates Baselines and Baseline Funding Levels were set in 2013, reflecting the level of rates income an authority could generate, and these have been index linked to inflation since. However, some authorities, including Manchester, have grown their base above inflation and this growth is retained in proportion to their local share. A Business Rates reset will see baselines recalibrated to more recent income levels. Although at a reset the growth element will be distributed across the sector, it will not accrue directly to the generating authority, and is likely to be rebased to the average increase. Further information on the mechanics of the reset is still to be confirmed by Government and it is delayed until at least 2025/26.

7.8 In addition, from April 2017, Manchester, along with the other 9 Greater Manchester authorities were able to retain 100% of their business rates growth above the baseline, under the 100% retention pilot. In 2023/24 the Council is forecasting a £15m benefit from partaking in the pilot. Although, the pilot has been confirmed for 2023/24 it is to be reviewed by Ministers from 2024/25.

7.9 Review of New Homes Bonus – A further one year extension of the scheme was announced for 2023/24. From 2024/25 the scheme could be revised or ended completely with funds added back to Settlement Funding Assessment.

7.10 Officers have estimated the scale of the funding gap at £57m in 2025/26, which would reduce to £40m after the use of £17m smoothing reserves. This is based on reasonable assumptions around the likely level of resources available and forecast spending requirements. This is subject to change as more information becomes available. The potential delay in the return of significant commercial income until after 2026/27 also leaves the City Council in a weaker financial position unless continued proactive action is taken.

7.11 The Council’s proposed strategy is to use any additional funding, after covering new priority investment requirements and demand pressures, to help close the budget gap in future years and reduce the need for significant cuts in 2025/26 and beyond. However, the above factors, along with the large number of risks facing local government, mean early work on the 2025/26 budget is planned to identify further medium term cuts and savings options to close the gap is essential. This is in addition to the savings already agreed as part of the 2022/23 and 2023/24 budget processes.

8 Fiduciary and Statutory Considerations

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

- It continues to meet its statutory duties
- Governance processes are robust and support effective decision making
- its Medium-Term Financial Strategy reflects the significant challenges being faced and remains responsive to the uncertainties in the economy by continuing to deliver against its savings targets

- its savings plans are clearly communicated and linked to specific policy decisions, with the impact on service provision clearly articulated
- It understands profile of existing and forecast liabilities and makes sufficient provision for repayment
- it has the appropriate levels of reserves and that it closely monitors its liquidity to underpin its financial resilience
- it continues to provide support to members and officers responsible for managing budgets
- it prepares its annual statement of accounts in an accurate and timely manner

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

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

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

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

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

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

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

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

8.9 The budget proposals set out in this report are sustainable and the CFO does not consider that Manchester City Council is in Section 114 territory.

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

9.1 The Council's CFO report in relation to the robustness of the estimates and adequacy of the reserves is set out below.

Robustness of the Estimates

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

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

Risk	Mitigation
Non-Delivery of Savings	Robust monitoring arrangements are in place to enable early corrective action to be taken if savings are not deliverable as planned. Within Health and Social Care, the Better Outcomes Better Lives programme involved an independent review of demand management to develop a realistic savings and transformation programme and strengthened the governance in place. As evidenced throughout the years of austerity the Council has a solid record of identifying and delivering financial savings whilst maintaining focus on delivery of the Council's priorities.
Increasing demand for social care, impact welfare reforms and rising homelessness is higher than budget assumptions	Additional government funding for social care, the council tax precept and other Council resources have been used to provide more funding in these areas based on a reassessment of demand. The profile of future demand has been reviewed and updated for 2023/24. The underlying data which drives these costs is closely monitored throughout the year to enable early corrective action to be taken.
Volatility of resource base including business rates and council tax	As the Council continues to be reliant on locally raised resources it is more susceptible to any downturn in the economy. A thorough review of the Collection Fund has been carried out as part of the budget setting process 2023/24 and calculations of future income are robust and evidence based. The position on all these income streams is closely reviewed monthly and reported to the Senior Management Team and Executive Members. To mitigate the risk a business rates reserve has been established to help smooth income over financial years.
Delivery of a balanced budget beyond 2023/24	Longer term scenario planning has started to address the uncertainty beyond 2024/25. The Council will be continuing its Transformation Programme to ensure delivery of the Corporate Plan, improve future resilience and provide the framework for future budget decisions. The estimated three-year position and approach is set out earlier in this report. Given the level of future uncertainty and risk, robust reserves levels are maintained to help smooth any future budget shocks. As part of this years budget process, the use of smoothing reserves have been deferred to support future years and provide headroom to develop future transformation and savings proposals.

Overspend on significant capital projects	The Capital Strategy has been developed to ensure capital expenditure and investment decisions are in line with Council priorities and take account of stewardship, value for money, prudence, risk, proportionality, sustainability and affordability. There are strong governance arrangements for decision-making. All capital investment decisions have a robust business plan that set out any expected financial return alongside risk and deliverability implications. Independent reviews of the capital programmes function have been carried out to provide further assurance around delivery, cost control and governance, and have resulted in changes to the governance process. The capital programme is monitored monthly, with quarterly reports to Executive. There are programme and risk management arrangements in place for individual projects, and this is aggregated to support the management of risks across the programme, such as inflation risks. The Strategic Capital Board receives monthly updates from each directorate board on each board's part of the capital programme, detailing financial forecasts, risks, and expected outcomes. The monitoring is used to support future actions, including the estimation of future costs and mitigations as necessary.

9.4 The Council has a well-developed corporate risk register and a financial risk register that is reviewed monthly. Each Service Head has carried out an individual risk assessment of their budgets contained within the Service Plans.

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

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

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

Adequacy of the proposed Financial Reserves

9.8 The General Fund Reserve is the only un-ring-fenced reserve and is held to meet costs arising from any unplanned event. It also acts as a financial buffer to help mitigate against financial risks and can be used to a limited degree to “smooth” expenditure across years. It is estimated that the balance on the reserve at 1 April 2024 will be £24m. The level of the General Fund reserve held has been risk assessed by the CFO and is felt to be prudent recognising earmarked reserves are held to mitigate specific risks such as the level of volatility in Council funding streams (such as business rates) and general uncertainty over the levels of funding available going forwards. However, the General Fund is seen as being at the minimum level required to be held to protect the Council from the financial risks inherent within the proposed budget strategy.

9.9 The Council also has several earmarked reserves which are detailed in the reserves strategy appended to this report. They show a forecast 2023/24 opening balance of £100m for the HRA, £14m for Schools, and £326m for earmarked reserves.

9.10 The level of reserves required is robustly assessed as part of the budget setting process and monitored as part of the monthly reporting process to senior managers and members, as well as being reviewed as part of the closure of accounts. Based on the numbers alone it appears the Council is at the more resilient end of the reserve spectrum, however the Council is a complex organisation with a large turnover, a wide range of assets, interests, liabilities and other responsibilities. By their nature many of the risks are unknown and cannot be precisely quantified, particularly in the current challenging financial climate. It is therefore essential that the Council maintains an adequate level of reserves.

10 Financial Governance

Leadership and Governance

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

Assessment of value for money in the delivery of services

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

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

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

Financial Management Code

10.4 The Financial Management Code (FM Code) sets out the standards of financial management expected for local authorities. The Code builds on the CIPFA Prudential and Treasury Management Codes which require local authorities to demonstrate the long-term financial sustainability of their capital expenditure, associated borrowing and investments. The FM Code was launched in 2019 with the first full year of compliance from 2021/22.

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

10.6 The FM Code applies a principle-based approach. The principles are:

- Organisational leadership – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture.
- Accountability – based on medium-term financial planning that drives the annual budget process supported by effective risk management, quality supporting data and whole life costs.
- Financial management is undertaken with transparency at its core using consistent, meaningful and understandable data, reported frequently with evidence of periodic officer action and elected member decision making.
- Adherence to professional standards is promoted by the leadership team and is evidenced.
- Sources of assurance are recognised as an effective tool mainstreamed into financial management, including political scrutiny and the results of external audit, internal audit and inspection.

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

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

10.9 The index is not intended to represent the entire story on the financial sustainability of a Local Authority but provides some indicators of potential risk. In addition, the CFO has examined the major assumptions used within the budget calculations and associated risks as reported at Section 9.

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

10.11 *Standard H -The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities -* as detailed in the Capital and Treasury Management Strategies the Council is compliant with the requirements of the Prudential Code. This includes information based on the proposed revenue and capital budgets, such as authorised and operational boundaries for debt and the maturity structure of the Council's borrowing. The Council takes a highly prudent approach to investments, both treasury and otherwise, with a view to minimising risk. External advice is taken on investments as required and the Council does not normally make strategic investments outside of the local authority boundary. CIPFA have issued a revised Code, which local authorities must implement for the 2023/24 financial year.

10.12 *Standard I - The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans.* It is recommended best practice that Local Authorities have a longer-term strategy for financial resilience and a multi-year financial plan. Whilst the suite of budget reports are focussed on 2023/24 to align with the central governments Finance Settlement effective arrangements are in place to facilitate longer term financial planning including:

- Five-year Capital Strategy (and financing arrangements) and asset management plans
- Three-year financial position and strategy for delivering a balanced budget set out in this report
- Five-year reserve strategy with three years published in the budget report elsewhere on the agenda
- Financial and scenario planning over the next spending review period

10.13 Sustainable service plans have been produced over the life of the MTFP including tracking delivery and an assessment of success in delivery of savings. Officers have satisfied themselves that the new savings and mitigations identified for 2023/24 of £15.4m are deliverable. A detailed risk rated savings tracker is monitored monthly and discussed at monthly Departmental Monitoring Meetings and Senior Management Team (SMT). Updates are also provided monthly to Executive Members. The bi-monthly Integrated Monitoring to SMT also includes an assessment of the key financial risks and mitigations, linking financial and performance data.

10.14 The strengthening of the arrangements for the Manchester Local Care Organisation or MLCO, which has responsibility for community-based health care and adult social care, includes the establishment of the Accountability Board which will include the Council's Chief Executive and S151 Officer and monitors finance and performance on a monthly basis.

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

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

10.17 Additionally, the governance process for investment and funding decisions for the Council’s capital programme requires a clear and detailed business case for any proposed investment, which must explain the benefits of the project to the organisation, both financial and otherwise, alongside the funding requirement. This allows senior officers and members to make decisions on proposals based on value for money and other concerns, for example statutory requirements.

Budget Scrutiny

10.18 The Scrutiny Committee meetings on the 7-9 February 2023 reviewed the budget proposals within their remit. The Resources and Governance Scrutiny Committee will meet on 27 February 2023 to look at the overall budget proposals and receive comments from other scrutiny committees prior to the Budget going to Budget Council 3 March.

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

Table Fifteen: Scrutiny Reports

Date	Meeting	Services Included
7 Feb 2023	Resources and Governance Scrutiny Committee	Chief Executives Corporate Services Revenue and Benefits / Customer and Welfare Support Business Units
7 Feb 2023	Communities and Equalities Scrutiny Committee	Sport, Leisure, Events Libraries Galleries and Culture Compliance and Community Safety Housing Operations including Homelessness Neighbourhood teams
8 Feb 2023	Health Scrutiny Committee	Adult Social Care Public Health
8 Feb 2023	Children and Young People Scrutiny Committee	Children and Education Services

9 Feb 2023	Environment and Climate Change Scrutiny Committee	Waste and Recycling Parks Grounds maintenance Zero Carbon Action Plan
9 Feb 2023	Economy Scrutiny Committee	City Centre Regeneration Strategic Development Housing and residential growth Planning, Building Control, and licensing Investment Estate Work and skills Highways

Equalities Duties

10.20 In considering the budget for 2023/24 the Council must also consider its ongoing duties under the Equality Act 2010 to have due regard to the need to eliminate discrimination and advance equality of opportunity between all irrespective of whether they fall into a protected category such as race, sex, religion, etc. Having due regard to these duties does not mean that the Council has an absolute obligation to eliminate discrimination but that it must consider how its decisions will contribute towards meeting the duties in the light of all other relevant circumstances such as economic and practical considerations.

10.21 The Council will continue to use its Equality Impact Assessment framework as an integral tool to ensure that all relevant services have due regard to the effect that their business proposals will have on protected groups within the City. The completion of equality analyses, to assess the implications of the business planning process for protected groups, is now a well-established approach and work has been continuing to ensure it is fully embedded and used effectively.

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

- Ex-armed forces personnel and their families
- People living in poverty
- People with continuing health conditions
- People with caring responsibilities
- Trans people, non-binary people and other consideration of gender identity (a broader definition than ‘gender reassignment’ as protected by the Act)
- Homeless people

- People Experiencing Local Authority Care
- Any other group identified as relevant to the activity (must specify)

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

10.24 The budget setting process is also being further integrated with the Council's Corporate Plan and Business Planning process. The work that will be carried out on individual business cases will be complimented by work to consider the collective impact of the options proposed and how the overall budget changes will impact on equalities, poverty and ultimately our residents. A high-level council wide review of the revenue budget as a whole, not just that of budget savings/reductions, will also highlight how the council is delivering services to meet the needs of our diverse communities.

11 Consultation

11.1 There is a statutory requirement to consult with business rates payers. Public consultation on proposed Council Tax levels and the savings and cuts measures put forward by officers opened on Monday 7 November and ran until 7 January 2023.

11.2 A second phase of public budget consultation launched on 7 January and closed on 7 February. This focused on the option to increase the council tax precept by 4.99% - a further 1% for adult social care bringing the social care precept to 2% and a further 1% for the general precept bringing this to 2.99%.

11.3 The full analysis and results from the consultation, alongside comments from scrutiny committees, will be reported to the Budget Scrutiny meeting on 27 February to ensure they are fully considered before the final budget is set. None of the budget options require formal statutory consultation.

12 Conclusion

12.1 The Council remains committed to the priorities within the Our Manchester strategy and to the delivery of the Council's Corporate Plan. The budget is based on the best information available to date, however there will be potential changes arising from other government funding announcements, such as the Public Health Grant.

12.2 Overall the Finance Settlement announcements were better than anticipated The 2023/24 budget gap has been closed without the need for further cuts and an opportunity to consider the quantum and phasing of the cuts and savings options alongside a small level of additional targeted investment. The 2023/24 budget contains reduced savings of £15.4m (£18.2m when the full year effect of savings previously approved in 2022/23 of £2.9m is included).

12.3 While the final settlement has given some breathing space it does not provide a sustainable long term funding solution for Local Government. The difficult financial decisions have been pushed back to 2025/26 and it is highly likely that further significant budget cuts will be required at that point.

12.4 Officers have estimated the future resources available based on the information available. This results in a forecast gap of £40m in 2025/26, after the use of £17m budget smoothing reserves. The focus will return to identifying medium term cuts and savings and continued working with central government to inform the planned reforms and obtain a fair funding settlement for the City.

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Manchester City Council Summary Business Plan 2023/24

2023/24

1. Zero Carbon Manchester
Lead delivery of the target for Manchester to become a zero-carbon city by 2038 at the latest, with the city's future emissions limited to 15 million tonnes of carbon dioxide.
Deliver the Council's roles in reducing citywide carbon dioxide emissions, influence city-wide partners to take urgent action and deliver specific Council owned actions within the Manchester Climate Change Framework
• The Council will work with the Manchester Climate Change Agency and Partnership to lead delivery of the Manchester Climate Change Framework (2020-25) 2022 Update, the city's high-level strategy for tackling climate change and ensure a just transition. • Delivery of citywide actions within the Council's Climate Change Action Plan will ensure that all available levers are used to support the decarbonisation of transport and buildings, and to ensure that the city adapts to future climate changes. • Maximise funding and investment opportunities and explore place-based models of investment to deliver zero carbon projects across the city. • The Manchester Local Area Energy Plan (LAEP) was adopted in September 2022. A prioritised action plan will be developed setting out how the Council will encourage the implementation of a range of measures across Manchester, to improve energy efficiency and reduce the burning of fossil fuels. • Residents, communities, and wider stakeholders (including schools and businesses) will be actively engaged and influenced to ensure that they can play their full part in tackling climate change and improving air quality, potentially learning new skills through engagement and opening up employment opportunities.
Prepare for and support the delivery of the new GM Clean Air Plan
• Work with the GM authorities supported by TfGM to develop 'The Greater Manchester Clean Air Plan' to reduce harmful Nitrogen Dioxide (NO2) levels at the roadside and be compliant with statutory requirements by 2025 at the latest. • Ensure the arrangements are clearly communicated to Manchester residents, businesses, and other stakeholders. • Work with GM Partners and Manchester stakeholders to ensure clear proposals to support the transition to low emission vehicles, including preparing for the release of pending funding to improve emissions for Large Goods Vehicles (LGVs), private hire vehicles, and Hackney cabs.

- Develop an approach to sustainable infrastructure planning.
- Deliver the project targeted at raising awareness and reducing emissions from domestic solid fuel burning, in partnership with Transport for Greater Manchester (TfGM) and wider Greater Manchester (GM) authorities.

Deliver the Manchester Climate Change Action Plan and key activities to reduce the Council's own direct CO_2 emissions by at least 50% by 2025

- Progress the Large-Scale Renewable Energy Generation project for the development or purchase of a suitable solar farm and / or direct renewable energy Power Purchase Agreement (PPA).
- Continue to reduce emissions and generate renewable energy through the delivery of the Estates Carbon Reduction Programme Deliver an approach to retrofit and decarbonising the Council's Housing Operations stock in partnership with Housing Providers, benefitting Council tenants by creating warmer homes and reducing energy bills.
- Plan for and facilitate the continued transition to electric vehicles within the Council fleet, such as by working to increase the provision of electric vehicle charging infrastructure.
- Promote and embed the new Sustainable Staff Business Travel Policy across the Council.
- Deliver 10% environmental procurement weighting effectively and monitor the results.
- Deliver the plan to reduce avoidable Single Use Plastics across the Council.
- Continue to raise profile and importance of climate action amongst staff and behaviour change approaches, for example through carbon literacy training, embedding this within the workforce and monitoring impact and benefit.
- Services across the Council with frontline staff that need to travel around the city to demonstrate how they will contribute to reducing carbon emissions. For example, Adult Social Care working with Community Health and Manchester Local Care Organisation (MLCO) to agree, mobilise, and measure the impact of actions delivered by community services to contribute to zero carbon including route mapping, prescribing practices, sharing of good practice approaches, and opportunities to support sustainable travel.

2. Growth that benefits everyone

Boost the city's productivity and create a more inclusive economy that all residents participate in and benefit from, and contributing to reductions in family poverty,

Deliver key growth schemes and the protection and creation of good-quality jobs for residents, enhancing skills, and effective pathways into those jobs. Includes support to Manchester's businesses and residents affected by challenges to the international, national, and local economy.

Develop and deliver a new Manchester Economic Strategy which aims to ensure that the city's economy is high performing but reduces inequality. Key components will include: developing a strategic approach to development and investment; creating thriving and innovative sectors; creating world class infrastructure, places and talent; transitioning to a zero carbon economy which is more resilient; and including more people in economic growth. Key initiatives include:

- Key transformative regeneration schemes providing new jobs, homes and leisure opportunities for our residents, including: new office and residential development at St. Mary's Parsonage, St. Michaels and Mayfield; further development at NOMA and Circle Square; and the completion of the new Co-op Live Arena.
- Continued delivery of Enterprise City and St John's to provide new space and support for both large and small scale businesses, particularly in the digital, cultural and creative industries, including the Campfield Tech Hub.
- The opening of Factory International as a major cultural, creative and technological hub, which with the Academy and Factory Futures skills programmes will be a major driver for economic growth and delivering sustainable jobs and employment opportunities for residents in the cultural sector.
- Support the development and enhancement of the skills required for businesses that support pathways for residents into those jobs through the Manchester Adult Education and Skills Plan, Adult Education Budget and Manchester Adult Education Service (MAES).
- Ensure quality business support is available for businesses and start-ups via the business support eco-system, such as the Business Growth Hub and the Business and Intellectual Property Centre (BIPC).

Facilitate economic growth in different sectors of the economy, which supports the creation of a more inclusive economy.

- Deliver our strategic regeneration frameworks and key growth projects.
- Develop and deliver our local levelling up priorities, including the Culture in the City Levelling Up Fund Round 1 project which will provide business start-up and talent development opportunities for local people from all backgrounds, use of UK Shared Prosperity Fund and the regeneration of Wythenshawe Civic Centre.
- Implement the Work and Skills Strategy 2022-27 which sets out how we will use learning and employment to meet the Our Manchester Strategy vision of being a more highly skilled city, and how we will help create a more inclusive and zero carbon economy in Manchester where more of our residents are connected to our city's success.
- Facilitate continued support and ongoing development of district centres across the city, to provide local businesses, job opportunities, and facilities for local people.
- Work with Greater Manchester's inward investment promotion agency (MIDAS) and other partners, supporting the ongoing inward investment into the city.
- Work with developers and businesses to maximise apprenticeships, training, and job opportunities for local people.

Support more people to benefit from economic opportunities by equipping them with the skills to succeed and ensure that they are in good quality, secure work. Help to mitigate the impact of poverty by taking actions to reduce the number of people experiencing poverty, in particular given the effects of the cost-of-living crisis. Including people in work on low incomes, young people, older people, BAME groups and people with long term health conditions and/or disabilities

- Deliver the first year of activity for the new Anti-Poverty Strategy alongside the making Manchester Fairer Action Plan, building on the strengths of the Family Poverty Strategy but extending its reach to all households, given the intelligence we now have on poverty and inequality in the city.
- Develop and deliver skills and labour market interventions for unemployed residents, and those in employment (on low incomes) who have been adversely affected by economic and cost of living challenges.
- Connect residents to opportunities created through investment via our approach to social value and other levers.
- Deliver the Living Wage City action plan, increasing the number of businesses paying the Real Living Wage and the number of Manchester residents earning at least the Real Living Wage.
- Establish the necessary structures and processes to deliver the new Anti-Poverty Strategy and Making Manchester Fairer Action Plan.
- Continue to operate and invest in Manchester Cost of Living Response group, ensuring that the most vulnerable residents are supported with the basics of food, shelter, and warmth.

3. Young People

From day one, support Manchester's children to be safe, happy, healthy, successful and fulfilling their potential

All children to have access to and be fully included in high-quality education, making sure they attend a school graded 'good' or better.

- Ensure a sufficient range and choice of high-quality early years, school, and other settings that are graded as good or better for all children and young people
- Children's school attendance to be achieved and sustained at or better than pre pandemic levels
- Ensuring the education system meets the needs of all learners, is inclusive and promotes equality
- Increase the number of young people post 16 who engage in employment, education, and training.
- Work with post 16 education and training providers and the Department for Education (DfE) to increase post 16 capacity to deal with increased demand from population growth in this age group.
- Work with schools and settings to improve outcomes for all children and to mitigate the disproportionate impact of the pandemic on disadvantaged learners.

Support more Manchester children to have the best possible start in life and be ready for school and adulthood. This includes ensuring they are engaged, their views and needs are understood and responded to; increasing access to youth, play, leisure, employment, training and cultural opportunities.

- Work in partnership to deliver Manchester's ambition to be recognised by UNICEF as a Child Friendly City by 2024, building on the achievements of Our Year: 2022.
- Support and endorse a child rights-based approach that provides children and young people with meaningful opportunities to influence decisions about their lives.
- Ensure that the voice of children and young people is heard, and that they are able to influence and shape service delivery. A new three-year strategy is in development which will encompass youth, play and participation and will include an action plan to enable delivery.
- Ensure children and young people across the city have access to youth, play, leisure, education, employment, training, and cultural opportunities.
- Support and develop children's readiness for school through implementing the refreshed Start Well Strategy.
- Continue to roll out and embed skills for life for children and young people.

Reduce number of children needing a statutory service.

- Focus on prevention and timely intervention through the provision of early help to prevent the unnecessary escalation of children's needs
- Tackle the involvement in youth violence leading to the requirement of a statutory or specialist intervention
- Deliver children's services at a locality level with strengthened inter-agency working and a strengths-based approach to build the resilience of families; sustaining children in stable, safe, and loving homes (permanency).
- Further embed the Think Family approach through collaborative working and joining up children's services with mental health, adult services, community health services and integrated neighbourhood teams through the Manchester Local Care Organisation (MLCO).
- To deliver more evidence-based interventions to ensure children, young people and their families get the right help at the right time.
- Use Some of the additional funding from the Social Care Grant to provide investment and alleviate pressures in Children's Services.

4. Healthy, cared-for people

Work with partners to enable all people to be healthy and well, narrowing the gaps between the healthiest and the least healthy. Support those who need it most, working with them to improve their lives:

Take actions to improve population health outcomes and tackle health inequalities across the city, including those exacerbated by factors such as the cost-of-living crisis.

- Support the Manchester Partnership Board (MPB) to deliver the health and well-being priorities for the city, and to support the ongoing transition to the Greater Manchester Integrated Care System arrangements.
- Drive the development and delivery of Making Manchester Fairer, the action plan for tackling health inequalities focused on the social determinants of health, and the delivery of the Anti-Poverty Strategy.
- Support and enable actions by the MLCO and Manchester University NHS Foundation Trust to reduce healthcare inequalities through population health approaches.
- Lead local prevention and response work for health protection situations, including surges in infectious diseases, local outbreaks, and emergency preparedness for unexpected events.
- Integrated Neighbourhood Teams (INTs) and Council Neighbourhood teams to work with community leaders and partners to provide targeted cost-of-living support to our communities.
- Deliver activity enabled by the additional 1% Social Care Council Tax precept which has raised £2m to support the social care market.
- Deliver activity through the additional 1% general Council Tax increase which supports vulnerable residents, including through the Voluntary, Community and Social Enterprise sector.
- Use some of the funding from the additional Social Care Grant to provide investment and alleviate pressures in Adult Social Care.
- Use the ringfenced grant provided for 'Fair Cost of Care and Market Sustainability' to support the provision of Adult Social Care.

Support the next phase of health and social care integration in the city, including plans to enable the continued development of Manchester Local Care Organisation.

- Support and enable the continued development of the MLCO as the delivery vehicle for health, care, and wellbeing in the city to maintain a focus on integrating health and care through MLCO and wider Manchester governance, ensuring MLCO is a key component of the Council Operating Model.
- Work with partners to support hospital discharge through the Resilient Discharge Programme (RDP) including development of the Transfer of Care Hub, control room, the development of the new model of bedded care and Virtual Wards.
- Enable MLCO to mobilise the refreshed INT Operating Model, to maximise integration opportunities across health and care and collaborative working with wider neighbourhood partners.
- Support the MLCO to embed a Population Health Management methodology through the INTs working with Primary care Networks (PCNs) and wider community partners to address key population health challenges (such as diabetes, hypertension, cardio vascular disease, and bowel cancer screening take up).

Enable delivery through the MLCO of the Adult Social Care (ASC) transformation programme – 'Better Outcomes, Better Lives' – focused on taking a strengths-based approach, supporting independence and managing demand, building on the ASC improvement programme, and embedding this into the MLCO Operating Model.

- Continue to drive forward the six workstreams through phase four of the programme, focused on maximising independence through working with practitioners to take a strengths based approach, strengthening and improving our short term offer, delivering our new ASC front door through earlier interventions, delivery our commissioning plan ensuring that we are delivering 'responsive commissioning', continuing to strengthen our performance framework and embedding a 'see and solve' approach to barriers to delivering the programme.
- Progress the provider services review, focused on our in-house services supporting citizens with the most complex needs.
- Ensure that as phase four is delivered we continue to work together with colleagues across MLCO to embed a strength-based approach across our services, identify and realise benefits and opportunities for collaboration.

Reduce the number of people becoming homeless and enable better housing and better outcomes for those who are homeless.

- Deliver 'A Place Called Home' – the Homelessness Transformation Programme
- Increasing prevention and earlier intervention to reduce the numbers of people becoming homeless.
- Reduce and eliminate the use and cost of bed and breakfast through changes to the social allocations policy.
- Reduction in number and cost of temporary accommodation by increasing access to more affordable temporary and permanent accommodation, allowing people to retain their priority on the social housing register, and improving prevention.
- Transformation of the customer journey to streamline processes, improve outcomes and reduce cost of the service.
- Continued spotlight on reducing the numbers of people sleeping rough through provision of appropriate accommodation and support.
- Support migrants living in the city to improve their independence and find alternative accommodation, so they do not need to present as homeless.
- Collaboration with Central Government and Greater Manchester Combined Authority (GMCA) to maximise income to the city through funding opportunities.
- Prioritise £4m of investment for increased demand, dispersed accommodation fees, and invest to save initiatives.

5. Housing

Ensure delivery of the right mix of good-quality housing so that Mancunians have a good choice of quality homes

Support delivery of significant new housing in the city

- Deliver Manchester's Housing Strategy, which underpins the city's economic growth trajectory and will ensure the delivery of new housing including affordable housing.

- Work closely with Registered Providers to improve quality of existing housing stock, to deliver new housing on Council-owned land, and work with developers to deliver housing on privately-owned land.
- The Council is committed to accelerate and sustain the delivery of more housing and will intervene, where necessary, to speed up the delivery of housing across the city, including developing homes ourselves. To achieve this the Council has established a Housing Delivery Vehicle (This City) to deliver new housing.
- Work with partners to deliver large-scale regeneration schemes including Phase one of the Victoria North Joint Venture between the Council and Far East Consortium (FEC) where 1,000 new homes are now on site, and Phase three of the redevelopment of Ancoats in conjunction with Manchester Life and other partners, which involves the delivery of new housing, a public realm strategy and a Mobility Hub.
- Embed Zero Carbon ambitions in the Housing Strategy, planning and delivery including an approach to housing retrofit with housing partners, and progress work for the Council’s housing stock.
- Work with colleagues across Greater Manchester to ensure that the city's aspirations are reflected in the "Places for Everyone" Greater Manchester Joint Development Plan, which is at Examination in Public in early 2023. There is expected to be a consultation on main modifications to the plan later in 2023.

Ensure inclusive access to housing by the provision of enough safe, secure, and affordable homes for those on low and average incomes and taking into account cost-of-living impacts. This includes strategically joining up provision, and the improved service to residents enabled by direct control of Council owned housing in the north of the city.

- Deliver lasting service improvements to the Council's directly-managed homes.
- An improvement programme for housing tenants will be developed and implemented, focused on the priority issues they have raised, including: repairs service; improved investment programme delivery; community safety, and dealing with anti-social behaviour.
- Deliver Housing Strategy commitments for 36,000 new homes by 2032. 10,000 will be affordable, and 3,000 of these will be in the city centre.
- Continue to drive forward building safety improvements, especially in high rise buildings.
- Develop a new housing operations strategy in line with the Social Housing White Paper, alongside emerging building safety and consumer regulations.
- Implement the objectives of the new 10-year Housing Strategy which includes the aims of addressing inequalities, creating neighbourhoods where people want to live, and improving the safety, quality and management of private rented sector homes. Particular attention will be paid to addressing damp and mould across all housing tenures working closely across housing, health, social care and education.

6. Delivering in Neighbourhoods

Work across the council, with partners and our city's communities to create and maintain clean, safe and vibrant neighbourhoods, with local services, that Mancunians can be proud of

Place a greater emphasis on getting the basics right and invest in improving service standards.

Clean

- Develop a Waste Strategy which reflects the future requirements of the English Resource and Waste Strategy and the priorities for the city. Work with the collections provider to implement the service improvement plan.
- Implement strategies and initiatives at a local level to target areas impacted by littering; recover and improve recycling levels; and reduce residual waste levels through increased participation and compliance. Promote legitimate waste disposal routes which prioritise re-use and recycling options, where possible, to reduce the associated environmental and financial costs.
- Building on the existing partnership work, strengthen intelligence sharing and engagement to tackle illegal waste activity, working jointly with the police and Environment Agency, utilising the legislative framework provided by the Environment Act 2021.
- Continue to take enforcement action where efforts to achieve compliance have not been successful.
- Use £1.5m of funding which has been prioritised to invest in cleaning the city.

Safe

- Continue to work with our communities and partners in the Community Safety Partnership to deliver on the key priorities identified in the Community Safety Strategy for 2022-25.
- Work towards achieving the aims and ambitions set out in the Domestic Abuse Strategy that was launched at the end of 2021.
- Respond to Independent Prevent Review and Channel (Dovetail) recommendations (which is part of the Prevent counter-terrorism duty).
- Implement compliance with Serious Violence Duty that was introduced in January 2023.
- Continue to work with partners, VCS (Voluntary and Community Sector) organisations, and communities to develop community led initiatives to address local priorities such as: to challenge hate, prejudice, and extremism; and to address serious violence.
- Refresh the Anti-Social Behaviour (ASB) Policy and Procedure for the Council

Vibrant

- Continue to invest in neighbourhood and community assets including parks, leisure and sports centres, libraries, cultural and social infrastructure.
- A new library is planned for Crumpsall, and investment in a transformed Chorlton Library, with makeovers for Didsbury, Longsight, Newton Heath, North City and an extension of the 'Open+ Libraries' offer (out of hours self-serve access) at three additional sites.
- New park and leisure facilities will be delivered for Abraham Moss, Hough End and Wythenshawe Park, with refurbs at the Manchester Aquatics Centre and the National Cycling Centre.
- Continue to develop plans for how we use space at Manchester Art Gallery and Platt Hall.
- Work with partners to establish a Manchester Major Events Commission with representation from key funding stakeholders to ensure we have a sector wide, long-term focus on developing the approach and bringing new events to Manchester, ensuring the programme is diverse and celebrates what is great about Manchester.

Bring services together for people in places, enabling an integrated model of neighbourhood working across core public sector services including Health and Adult Social Care (through the INTs), GMP, Housing, and Children's services.

- Through the next stage of public service reform, we will design a clear and consistent approach for residents to access services across the breadth of our offer.
- Embed a place-based approach through our systems, processes and decisions, ensuring we consider the role and needs of neighbourhoods in the way that we deliver services.
- Enable the workforce to understand the city, including the different characteristics of Manchester's neighbourhoods, and use this knowledge to effectively support residents to navigate our systems to improve outcomes for Manchester residents.
- Develop a model of VCSE engagement and empowering community voice to inform decision making and future service design.
- The Bringing Services Together for People in Places model will continue to develop, with activities including:
    - The city-wide expansion of the Changing Futures funded Early Help offer for Adults pilot, currently being delivered in four areas of the city, utilitising Population Health Kickstarter funding and infrastructure, and linked to the Adult Social Care 'Front Door' redesign;
    - Expansion of the Multi Agency Prevention and Support (MAPS) meetings beyond pilot areas (linked to Early Help for Adults), to enable support to be provided to those who need it at the right time, and support to be sequenced appropriately across all support provision;
    - Working with partners and the Voluntary, Community and Social Enterprise (VCSE) sector to ensure our communication and engagement with residents is joined up where appropriate;

  - Developing and delivering a shared set of priorities and principles across partners within each of the 13 neighbourhoods documented in Neighbourhood plans;
  - Review Local Community Safety Partnerships to ensure continued alignment with the Bringing Services Together for People in Places programme.
- The Children and Young People Reform Programme will continue to reform Children's Services to deliver local, place-based services using the Shared Neighbourhood Delivery footprint. It will continue to further strengthen local partnerships, to work together in response to specific complexities of each geographical area across the city. The programme will continue to focus on integrating partnership working arrangements by prioritising early intervention, and prevention and embedding the 'Think Family' approach into our practice to achieve better outcomes for children and families.

7. Connections

Connect Manchester people and places through good-quality roads, sustainable transport, and better digital networks

Improve public transport and highways, and make them more sustainable, whilst increasing walking and cycling.

- Continue to deliver against the Greater Manchester 2040 Transport Strategy and the City Centre Transport Strategy.
- Deliver to ensure the quality of our highways and pavements, the number of potholes repaired, and gully cleansing which remains a priority for our residents.
- Supporting Neighbourhoods and Communities through the delivery of local improvement schemes identified as ward priorities.
- Manchester has applied for powers to enforce Moving Traffic Offences. If successful Manchester will be able to enforce this, which will reduce congestion, improve road safety and support Active Travel and Air Quality improvements.
- Active travel through the prioritising of walking and cycling will continue through adoption of the Active Travel Strategy and Investment Plan in Spring 2023, and any external funding opportunities that can support delivery will be taken.
- Deliver walking and cycling improvements funded by the GM Mayor's Challenge Fund will continue.
- Effectively enforce parking and bus lane restrictions to keep the city's roads moving and safe and reduce congestion.
- Utilise the £300k of priority investment which has been made available for active travel and infrastructure.

Facilitate the development of the city's digital infrastructure, to enable delivery of transformed public services and a more economically inclusive and resilient city

- Deliver on year one action plan of the Digital Strategy around the four themes of Smart People, Digital Places, Future Prosperity and Sustainable Resilience.

- Through the rollout of audio video technologies ensure people can have face to face digital access to public services, and gain essential digital skills, building on the Audio-Visual pilot that will commence in early 2023.
- Working in partnership with other public services and VCSE organisations, continue to tackle digital exclusion, so that all of our residents have access to the benefits of online services and opportunities.
- Through the Council Network Refresh Programme we will look to deliver a secure, reliable and easy to use network for our staff, partners and residents to continue to support digital and social inclusion.
- Work with partners to support residents, neighbourhoods and businesses connect to local, national, and international markets through enhanced digital infrastructure.
- Continue to support the integration of Health and Education, and Early Years systems with Social Care (such as Liquid Logic) through the work to embed and develop the EYES (Early Years & Education Management System) application.
- Developing consistently engaging digital content which will support the Council to be a trusted influencer and service provider, by being an integral part of existing local community networks.

8. Equality, Diversity, and Inclusion

Drive the advancement of equality and inclusion across services, communities and within our workforce. To be an inclusive service provider, commissioner, and employer, removing barriers that impact on the City's most disadvantaged equality groups

Effective community involvement and engagement with our partners to understand our diverse communities, improve life chances, and celebrate diversity.

- Work closely across Equality, Diversity and Inclusion (EDI), Neighbourhoods and Public Health to develop an engagement infrastructure where communities experience discrimination and disadvantage.
- Strengthen our growing evidence bases by improving the collection, analysis, and application of quantitative and qualitative equalities related information, insight and learning to enable targeted action where required, including through the delivery of a Communities of Identity Report, to identify the different experiences of individual identity groups in Manchester.
- Strengthen and harmonise an approach to integrating community intelligence into accountable decision making.
- Set out an approach that will evidence improved outcomes for those most likely to have difficulty accessing our services, have a poorer experience or outcomes related to institutional barriers and discrimination.
- Develop a robust equality measurement framework as a crucial part of our evidence gathering that will help us to establish what works both systemically and across our locality in addressing causes of persistent inequality.
- Review and develop a new operating model for the delivery of equality events in the city, promoting awareness of various identity groups, as well as celebrating

diversity awareness through supporting national initiatives such as; Black history month, South Asian Heritage Month, Refugee Week, International Day of Disabled People, International Mother Language Day, Pride, International Womens Day, World Aids Day.
Greater accountability, partnership working and delivery of services that more closely meet the diverse needs of our communities and people
• Develop better integration of Equality, Inclusion and Engagement resources across the Council and with health to tackle implicit bias in commissioning and service provision, to have the best opportunity to reduce the unfair differences in outcomes across Manchester. • Develop a more effective and robust equality impact assessment framework with a focus on delivering mitigation actions. • Develop a model to ensure that equality and human rights check and challenge is integrated into our design, assurance and approval of the policies and practices, at the right places and at the right time. • Maximising impact from social value and implement commitments to various charters and covenants that the Council has signed for example the Care Leavers Covenant, the Armed Forces Covenant, and the wording from the protected status decision for care leavers. • Developing performance indicators and success measures to embed a greater focus on equalities monitoring, strengthening the importance we place on feedback from communities accessing our services.
As an employer, ensure a fair and inclusive working environment which recognises, values, and responds to the dynamics and opportunities of a diverse workforce.
• Focus on key areas and actions that will support the organisation to be a place where our workforce fully reflects the rich diversity and talent of the communities we serve at all levels. • Attract, recruit, and select in a way that is inclusive and drives diversity at all levels for example better diversity on recruitment panels, and strengthening induction to communicate the importance of equality, diversity, and inclusion, and what is and is not acceptable. • Educate, develop, and build talent and diversity in our workforce e.g., targeted leadership programmes and embedding the new equality, diversity, and inclusion ‘Our Manchester behaviour’. • Strengthen the visibility and voice of staff networks, equality champions and allies. • Be clear in our zero tolerance to discrimination making any discriminatory behaviour and grounds for gross misconduct for example through implementation of the disciplinary policy. Take a zero-tolerance approach to any form of discrimination or harassment from the public for example through implementation and monitoring of the Third-Party Abuse and Harassment policy. • Set and monitor workforce equality targets for the organisation across a range of measures including monitoring of the senior leadership group Equality Objective in annual performance reviews.

- Ensure our policies and processes are fair to everyone, building in consultation and engagement to any reviews, including those that are newly created as part of the Workforce Equality Strategy.
- The MLCO will continue to support Manchester residents into employment and support initiatives that make us an employer of choice, creating new channels and ways of engagement that prevent inequality gaps across Manchester widening.

9. Well-managed Council

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

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

- Deliver the action plan developed in response to the Council's Corporate Peer Review, covering key areas of improvement identified within the context of Manchester already being a 'first rate Council' in 'a city of firsts'.
- Lead and coordinate the Future Shape of the Council programme to be a digital first Council, working in a human-centred way to design services.
- Deliver the Core target operating model, embedding the principles of Future Shape of the Council and the new Organisational Development Plan, to achieve the identified service improvements and efficiencies.
- Deliver the Internal Digital Strategy focusing on achieving channel shift and automation underpinned by implementing the new Data Management Policy.
- Produce and manage a balanced budget in 2023/24 reflecting Member priorities and the Our Manchester reset, achieving agreed budget reductions and savings.

Effectively manage our resources, via budget management and planning, within our legal framework, and to support to managers and performance management.

- Update the three-year Medium Term Financial Strategy to keep the Council on a sustainable footing and ensure financial resilience to facilitate delivery of council priorities.
- Develop an updated Capital Strategy to deliver key Council priorities, maximising external funding and income generation and a sustainable way of prioritising use of Council capital resources.
- Produce and manage a balanced budget in 2023/24 reflecting Member priorities and the Our Manchester Strategy, achieving agreed budget changes and efficiencies
- Implement the Our Manchester Strategy Delivery Plan and Corporate Plan priorities and provide supporting intelligence to inform decision making and monitor performance, outcomes, and impact.
- Monitor and identify changing demand on services via the development and use of demand and prediction models. Use these models alongside wider intelligence to inform service design and resource allocation decisions.
- Implement the Organisation Development Plan, and improve support for managers to be great managers with a strong focus on performance and development.

- Continue to deliver the Our Ways of Working programme, supported by appropriate culture and technology, and most efficient use of buildings and space through the estates rationalisation programme.

Ensure the Council has the right capacity, capability, and diversity to deliver great services to residents, through strategic workforce planning.

- Develop and deliver a workforce strategy which supports the Our Manchester Strategy and Corporate Plan by identifying the capacity, capability, and diversity the Council needs, and how it needs to operate, to deliver great services.
- Embed workforce planning into the service planning process which requires services to identify their current priorities and challenges, and develop a plan to achieve and address these.
- Develop and deliver a Talent Strategy which sets out how we will attract, develop and retain talent at all levels.
- Refresh the Health and Wellbeing Strategy which supports our workforce to thrive and addresses our biggest challenges (mental health, sickness absence, cost of living, Covid-19).
- Deliver effective workforce planning via the ‘A Plan for the Workforce’ strategy (this is specifically the activity which forms part of service planning).
- Develop and implement a new framework for performance across the Council so that all officers know what is expected of them, what they do well, and how they can improve.
- MLCO will maximise the opportunities of our employing partnerships to deliver shared or aligned approaches to managing our respective community health and ASC workforces.

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Executive 15 February 2023
Medium Term Financial Strategy and 2023/24 Revenue Budget

Appendix 2: Savings Proposals 2023/24 to 2025/26

Summary overview

Directorate	Amount of Saving 2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000	Indicative FTE Impact
Adults Services	4,142	2,200	2,200	**8,542**	-
Public Health	730	-	-	**730**	3
Children Services	4,411	3,920	3,394	**11,725**	-
Neighbourhoods	545	1,135	1,772	**3,452**	3
Homelessness	1,244	2,070	1,332	**4,646**	-
Corporate Core	3,365	677	1,089	**5,131**	27
Growth and Development	959	170	815	**1,944**	1
Total profiled savings options	**15,396**	**10,172**	**10,602**	**36,170**	**34**

Adults Services:

Service	Description of Saving	Impact	Type of Saving	Amount of Saving 2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000	Indicative FTE Impact
Provider Services								
Provider Services	**Day Services** - following the delivery of a day services review and associated findings, expand use of external capacity/focus on complex needs. This is intended to maximise the cost effectiveness of in-house day services by repositioning them to support citizens with more complex needs. This would mean reviewing people in expensive external day placements and moving them to in-house provision as well as reviewing people with low to moderate support needs in in-house provision and finding alternative provision in the community or with lower cost external providers (including VCSE as providers under contract).	Limited impact on outcomes, consolidating model of care. Potential family dissatisfaction and appeals, engagement programme will be required. This is part of a broader strategy to re-position day services as a whole and work by the transitions team and others to promote a range of options for people, including employment, facilitated by our strengthened supported employment offer.	Service Redesign	0	500	100	**600**	TBC
Provider Services	Reduce access to day services for clients in supported accommodation, clients in supported accommodation supported holistically within that setting in lieu of attending day care	Limited impact on outcomes, consolidating model of care. Maybe family dissatisfaction and appeals	Service Reduction	0	0	0	**0**	TBC
Provider Services	**Short Breaks** - this programme is intended to refocus in-house short breaks service through a new integrated MLCO offer to support emergency placements and supporting crisis situations. The financial saving will be within long term care	Risk of not having an offer in place to support in crisis situations. Significant challenge to make operational	Service Redesign	0	250	100	**350**	TBC

Service	Description of Saving	Impact	Type of Saving	Amount of Saving				Indicative FTE Impact
				2023/24	2024/25	2025/26	Total	
				£'000	£'000	£'000	£'000	
Provider Services	**Transport review** - The savings target represents a substantial redesign of the service model and charging basis. Delivery will be through a combination of significant increase in nominal charge, review of access criteria, exploration of alternative transport models and encouraging independence through travel training initiatives	Exploration of alternative transport models and options for access to day services. Potential for family dissatisfaction and appeals, engagement programme will be required and aligned to the other proposals surrounding day services.	Service Redesign	150	150	0	**300**	TBC
Provider Services	**DSAS** - Transformation of in house supported accommodation to enable the service to support citizens with the most complex needs. Very significant change programme required with the potential to improve outcomes through more optimal approach to supporting most complex in-house including Transforming Care cohort, citizens placed in high cost packages (including out of area) and including those where joint or health funding arrangements are in place. Significant engagement with families will be required.	Potential to improve outcomes through more optimal approach to supporting most complex. Repatriation and changing tenancy arrangements including for people currently supported in house where the outcome may be a move to being supported externally will inevitably lead to significant engagement requirements with families. Establishment restructuring and realignment (consolidate establishment to meet future needs). Requires full and comprehensive review of estate to ensure it is fit for purpose from a condition and fabric perspective and	Service Redesign	0	750	1,250	**2,000**	TBC

Service	Description of Saving	Impact	Type of Saving	Amount of Saving 2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000	Indicative FTE Impact
		associated and capital investment.						
Workforce								
Directorate	**Increase Vacancy Factor** (£1.694m less workforce pressures £0.477m). Vacancy data for 2019/20, 2020/21, 2021/22 and the current position, shows that Adult Social CaIncrease Vacancy Factor (£1.694m less workforce pressures £0.477m). Vacancy data for 2019/20, 2020/21, 2021/22 and the current position, shows that Adult Social Care has never fallen below 150 FTE vacancies at any one time and can be significantly more. The base budget 2022/23 includes a £1.992m vacancy factor, approximately 3% of the £61.363m employee budget. The increase of £1.694m increases the vacancy factor to 6%re has never fallen below 150 FTE vacancies at any one time and can be significantly more. The base budget 2022/23 includes a £1.992m vacancy factor, approximately 3% of the £61.363m employee budget. The increase of £1.694m increases the vacancy factor to 6%	High turnover has constrained progress with BOBL and budgeting for it includes an element of risk albeit managed. The number of established posts will remain the same and the service still able to recruit. The level of the vacancy factor will be adjusted annually to reflect recruitment and turnover levels.	Efficiency	1,217	0	0	**1,217**	None
Charges								

Service	Description of Saving	Impact	Type of Saving	Amount of Saving				Indicative FTE Impact
				2023/24	2024/25	2025/26	Total	
				£'000	£'000	£'000	£'000	
Extracare	**Implement wellbeing charge** This is an additional amount on top of the rent, service charge and any care charges that apply. It is a charge that every resident in the scheme pays, whether they receive care or not. Following introduction, the Service would expand the benefits of paying a Wellbeing Charge, for example, through an annual Wellbeing Check, working with local community health providers77 and public health so that the Charge does have an actual emphasis on Wellbeing. Through benchmarking, the highest rate of weekly wellbeing charges found is £40 per week. The lowest charge is £11 per week. The proposal is for a wellbeing charge of £5-10 per person per week	Impact on most vulnerable during cost of living crisis	Income Generation	0	50	0	**50**	None
Demand Management								
Directorate	Smoothing via Adult Social Care Reserve	None	Efficiency	2,275	0	(2,275)	**0**	None
Long Term Care	Further demand management – all care groups. This target has been set for 2025/26 and is therefore some time into the future. This is in addition to £10m identified in 2023/24 for demand management to support the existing budget gap. The target has been set on the basis that the programme has delivered evidenced demand reductions to date and that there will continue to be opportunities to improve outcomes and independence of Manchester citizens and many of the Better Outcomes Better Lives arrangements will be fully embedded by then. There is notably an expectation that TEC and the move to digital will be further advanced and the whole care market will have developed further through the reform agenda. Further demand management – all care groups. This target has been set for 2025/26 and is therefore some time into the future. This is in	Prevent, reduce, delay through Better Outcomes, Better Lives remains the underpinning approach so should continue to have a beneficial impact on outcomes but will be challenging in face of national social care context	Efficiency	0	0	2,275	**2,275**	None

Service	Description of Saving	Impact	Type of Saving	Amount of Saving 2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000	Indicative FTE Impact
	addition to £10m identified in 2023/24 for demand management to support the existing budget gap. The target has been set on the basis that the programme has delivered evidenced demand reductions to date and that there will continue to be opportunities to improve outcomes and independence of Manchester citizens and many of the Better Outcomes Better Lives arrangements will be fully embedded by then. There is notably an expectation that TEC and the move to digital will be further advanced and the whole care market will have developed further through the reform agenda. Within the MLCO work will have progressed to optimise care models and this will also be impacting. The Fair Cost of Care programme should enable a sustainable care market and more appetite to work with the Council on developing care models in residential settings and particularly therapeutic interventions. This target will be the subject of more detailed consideration in the 2024/25 budget cycle and is in effect a commitment at this stage							
Other								
Equipment and Adaptations	**Disabled Facilities Grant (DFG)** - Refinance assessment officers through DFG. In a case where an application is for DFG, the services and charges of an occupational therapist in relation to the relevant works are also specified for those purposes and can be considered as capital expenditure if included as part of the whole project costs of the adaptation. Whilst this normally applies to external capacity, consideration of DFG guidance is predicated on there being no substantive difference between using internal or external capacity for this purpose	Recharge of internal capacity to DFG includes a degree of audit risk	Efficiency	500	0	0	**500**	None

Service	Description of Saving	Impact	Type of Saving	Amount of Saving				Indicative FTE Impact
				2023/24	2024/25	2025/26	Total	
				£'000	£'000	£'000	£'000	
Learning Disability	**Joint funding/CHC and improving joint commissioning.** Of utmost importance is the right support from a clinical team having oversight of the citizens wellbeing and review responsibility for the package of care (a rights-based approach). There are a number of citizens within long term placements that are at or near the CHC threshold. The desired outcome includes an enhanced joint funding of packages and much more structured joint commissioning arrangements	Potential for tensions within partnership arrangements if not considered as an integrated opportunity. Improved outcome for citizens in terms of CHC care being non chargeable	Income Generation	0	500	750	**1,250**	None
Total			**Revised Total**	**4,142**	**2,200**	**2,200**	**8,542**	**0**

Public Health

Service	Description of Saving	Impact	Type of Saving	Amount of Saving 2023/24 £'000	Amount of Saving 2024/25 £'000	Amount of Saving 2025/26 £'000	Amount of Saving Total £'000	Indicative FTE Impact
Directorate	Disestablish Public Health Vacancies	These savings have been identified as deliverable without impacting on delivery of public health commissioned services in the city	Efficiency	90	0	0	**90**	3
Directorate	Use of 2022/23 underspend		Efficiency	330	(330)	0	**0**	None
Children's	Children's PH 5-19- due to changing and challenging circumstances regarding staffing, service delivery and finance it is the commissioning intention to review and revise the service model and specification		Withdrawn					None
Directorate	MCR Active - removal of budget intended to contribute to the development, implementation, and licensing of the digital single pathway to design a 'one stop shop' for ALL Sport & Physical Activity opportunities. Whilst this causes a delay, MCR are confident in securing alternative financing arrangements for this development		Efficiency	30	0	0	**30**	None
Directorate	Headroom in budget set aside for contract uplifts		Efficiency	280	330	0	**610**	None
Total			Revised Total	**730**	**0**	**0**	**730**	3

Children’s Services

Service	Description of Saving	Impact	Type of Saving	Amount of Saving 2023/24 £’000	2024/25 £’000	2025/26 £’000	Total £’000	Indicative FTE Impact
Developing partnerships, service efficiencies and improvements								
Children's Safeguarding	**Managing Demand** - Saving assumes that growth of placement numbers will be at a rate of 78 per annum across Looked After Children and Permanence placements, whereby average cost of placement is £25k p.a.	Potential to improve outcomes through prevention and more appropriate placements	Efficiency	3,000	3,000	2,000	**8,000**	0
Children's Safeguarding	**Mockingbird** - Programme nurtures the relationships between children, young people and foster families supporting them to build a resilient and caring community of six to ten satellite families called a constellation. The Mockingbird constellation builds links with other families and individuals important to the children’s care plans and to resources in the wider community which can provide them with enhanced opportunities to learn, develop and succeed. This model has been applied elsewhere and has led to greater placement stability and carer retention. It is expected that over a three-year period 2 external residential placements and 4 external fostering placements can be avoided		Efficiency	47	219	257	**523**	0
Children's Safeguarding	**Use of Reserve** – to off-set recent increase in cost of external residential placements, one year only.		Use of Reserves	500	(500)	0	**0**	0

Service	Description of Saving	Impact	Type of Saving	Amount of Saving				Indicative FTE Impact
				2023/24	2024/25	2025/26	Total	
				£'000	£'000	£'000	£'000	
Children's Safeguarding	**Thriving Families** - is a whole family, strengths-based approach to child protection. Work is undertaken by children's social workers, adult mental health practitioners, substance misuse and probation officers, working together as one team. Joint knowledge and expertise are used to assess the needs of the whole family, supplying services to meet those needs, and supporting parents to achieve sustained change for themselves and their children. There is empirical evidence that risks to children can reduce, reducing the need for children to come into care and requiring child protection planning. The cost benefit analysis shows that 22 placements can be avoided 2024/25 to 2025/26.		Efficiency	0	500	500	**1,000**	0
Children's Safeguarding	**Shared Care** - It was found that an edge of care service supporting children who have a learning disability and/or autism is needed. The plan is to support six children, splitting the week between the children to ensure there is only three children at home at any one time. Where needed the service will offer outreach support to children's families. It will promote education, health, and activities. Clothing will be provided by the family, foster carer/guardian etc. Children will be collected dropped off, as well as transported to education on the days children are at the home. The plan is to develop and test this in in 2023/24. The savings proposal assumes cost avoidance of 4.5 external residential placements and a further 1.5 placement external fostering placements	Improving outcomes through more optimal approach to supporting Child with Disability	Efficiency	0	351	351	**702**	

Service	Description of Saving	Impact	Type of Saving	Amount of Saving				Indicative FTE Impact
				2023/24	2024/25	2025/26	Total	
				£'000	£'000	£'000	£'000	
Children's Safeguarding	**The Thriving Babies** - Confident Parents Project is about promoting the health, wellbeing and safeguarding of children through working differently with their parents during pregnancy to improving outcomes for babies so they can thrive by having safe, stable, permanent homes, still being with their families and communities. The proof of concepts has been trailed and will be rolled out throughout the city. To date the program has worked with 118 cases, 110 babies have remained in the care of their family and 8 have become looked after - to date. The 118 primary care givers had previously 81 children removed from their care prior to working with Thriving Babies showing the complexity of this cohort. Numbers of babies taken into care across the city have reduced since the implementation of Thriving Babies in Jun-21. Based on this evaluation and after taking account of savings proposal outlined in it is proposed a further £200k savings can be made from the project, this equates to 15 internal foster care placements over the course of the year and a further 4.5 internal foster care placements thereafter.	Potential to improve outcomes through prevention	Efficiency	300	90	0	**390**	
Service Efficiencies								

Service	Description of Saving	Impact	Type of Saving	Amount of Saving				Indicative FTE Impact
				2023/24	2024/25	2025/26	Total	
				£'000	£'000	£'000	£'000	
Education	**School Crossing Patrols** – There are 90 school crossing patrols. The patrols are rated red, amber or green in terms of road safety. 21 are rated as red, 36 rated as amber and 33 rated as green. The Council undertook significant capital investment from 2018 to 2022 in total £6.18m. This work has led to eight crossing changing their rating to green. Council policy is that it funds staffing for red and amber locations. If a crossing location is green, or is regarded as green, the school is given the choice to fund the patrols costing £6k per year. Whilst SCP (School Crossing Patrols) are not a statutory service they are key road safety measure. It is proposed that SCP are financed by the Road Parking and Bus Lane Penalties Reserve instead of Council budget an on-going basis. In accordance with the reserve's conditions road safety measures can be charged to the reserve. Further capital support will be provided to support the investment in school crossing patrols to reduce the call on future reserves.	These savings have been identified as deliverable without impacting on delivery	Efficiency	0	100	286	**386**	0
Children's Safeguarding	**Early Help** - the service's gross budget is £8.9m, it is funded by grant and Council budget. The grant supporting the service is set to increase by £2m, it will receive additional Family Hub (£1.5m) and Supporting Families grant (£0.5m) next year. This extra targeted investment has allowed services to be reviewed and streamlined to release £0.590m. Following a line-by-line review of the £0.550m of the proposed saving will be achieved through reducing contingencies built into the existing budget. £50k of 2023/24 saving will be achieved	These savings have been identified as deliverable without impacting on delivery	Efficiency	430	160	0	**590**	

Service	Description of Saving	Impact	Type of Saving	Amount of Saving				Indicative FTE Impact
				2023/24	2024/25	2025/26	Total	
				£'000	£'000	£'000	£'000	
	through the ending of a contract. This approach will not impact on service delivery or expected outcomes as savings are being made through service efficiencies.							
Directorate	**Vacancy Factor** - There are 1,437 full time equivalent staff in the Directorate. A key budget assumption underpinning the financial plan is that staff are assumed to be at top of their pay scale minus a percentage ranging between 2.5% - 10%. New staff typically start on the bottom of their post's pay-scale. After reviewing the last three years staff turnover, it is proposed that an added 0.2% vacancy factor can be applied to workforce budgeting.		Efficiency	134	0	0	**134**	
Early Help	Early Years - Part of Parenting Programme to be charged to Family Hub grant		Efficiency	0	0	0	**0**	
Total			Revised Total	**4,411**	**3,920**	**3,394**	**11,725**	**0**

Neighbourhood Services

Service	Description of Saving	Impact	Type of Saving	Amount of Saving 2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000	Indicative FTE Impact
Community Safety and Compliance	Reduce staffing budgets by increased vacancy factor to reflect increased staff turnover	Will reduce flexibility that exists within staffing budgets	Efficiency	99	0	0	**99**	0
Libraries, Galleries and Culture	Reduce staffing budgets by increased vacancy factor to reflect increased staff turnover	Will reduce flexibility that exists within staffing budgets	Efficiency	20	0	0	**20**	0
Parks and Green Spaces								
Parks and Green Spaces	Heaton Park increased Parking Charges	May reduce visitor numbers that could reduce levels of income proposed and would also impact the current income which underpins the delivery of services and the viability of partner operations which contribute to the overall visitor experience.	Income Generation	60	0	0	**60**	0
Parks and Green Spaces	Heaton Park, extend the hours of operation, pay and display	May reduce visitor numbers that could reduce levels of income proposed and would also impact the current income which underpins the delivery of services and the viability of partner operations which contribute to the overall visitor experience. Could limit regular usage for a core of visitors and may have a disproportionate impact on that cohort due to cost of living pressures.	Income Generation	27	0	0	**27**	0

Service	Description of Saving	Impact	Type of Saving	Amount of Saving 2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000	Indicative FTE Impact
Parks and Green Spaces	Cease bonfire and firework activity and replace with community autumn and winter celebrations	Bonfire and firework options would potentially increase the activity that blue light services and Community Safety / Neighbourhood colleagues would need to respond to. Early indications are that there has been little to no impact of pausing reinstatement of these activities in 2022/23.	Service reduction	40	0	0	**40**	0
Waste and Street Cleaning								
Waste and Street Cleaning	Introduce charges for replacement recycling bins	Introduce charging for recycling bins, this will encourage bin ownership and reduce demand for new bin production and transport movements delivering / collecting the current volume of wheeled bins. It will also reduce the no of abandoned recycling bins on street and improve visual amenity of the street scene.	Service reduction	0	0	400	**400**	0
Operations and Commissioning								
Bereavement Services	Bereavement Services - Income charges, increase of 10% on all fees and charges	Impact on funeral poverty for Manchester Residents	Income Generation	0	0	372	**372**	0
Contract and Commissioning	New advertising hoardings on Chester Road roundabout	The delivery of the scheme is subject to planning approval, considerable engagement has already taken place to ensure that the planning application	Income Generation	0	100	0	**100**	

Service	Description of Saving	Impact	Type of Saving	Amount of Saving				Indicative FTE Impact
				2023/24	2024/25	2025/26	Total	
				£'000	£'000	£'000	£'000	
		addresses all the requirements and concerns.						
Commercial and Operations	Increased traffic enforcement – Moving Traffic Offences - new scheme / Bus Lanes - full enforcement of all bus lanes and bus gates	Will generate additional revenue income that will be used for investment and release existing mainstream budgets	Income Generation	0	1,000	1,000	**2,000**	0
Pest Control	Increase to the fees and charges for a Pest Control Service	A 10% increase in prices charged to customers.	Income Generation	59	0	0	**59**	0
Pest Control	Reduction in pest control supplies budget	Will require more efficient purchasing	Service reduction	20	0	0	**20**	0
Business Units	City Centre and Specialist Markets Saving Delivery Proposal. Disestablish G4 vacant post	Increased flexible working between City Centre and Specialist Market delivery teams.	Efficiency	30	0	0	**30**	1
Highways								
Highways	Developer Fee Income - S278's would generate fees for checks, and approvals to designs etc.	Increased costs for developers	Income Generation	0	35	0	**35**	0
Highways	Increased fee income from design and project management work	Increased capital costs for staff time on design and project management	Income Generation	75	0	0	**75**	0
Highways	Delete 2 vacant posts in highways maintenance team	Reducing in size the workforce reduces the flexibility to respond to unscheduled challenges in the future	Efficiency	65	0	0	**65**	2

Service	Description of Saving	Impact	Type of Saving	Amount of Saving				Indicative FTE Impact
				2023/24	2024/25	2025/26	Total	
				£'000	£'000	£'000	£'000	
Highways	Income from Weekend inspections	New Evening & weekend Highway Inspectors will prevent non-permitted on non-licensed works taking place. As a result there will be more FPN's issued to developers & utility companies	Income	50	0	0	**50**	0
Total			**Revised Total**	**545**	**1,135**	**1,772**	**3,452**	**3**

Homelessness

Service	Description of Saving	Impact	Type of Saving	Amount of Saving 2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000	Indicative FTE Impact
Homelessness	Implementation of Transformation Prototypes	A reduction in Temporary Accommodation Placements, B&B and Dispersed Accommodation. Annual forecast spend of c£17m in these areas in 2022/23.	Service Transformation	494	1,096	1,332	**2,922**	
Homelessness	Changes to Allocations Procedure	To deliver this saving there needs to be a change in the Allocations Procedure to allow people to be classified as Homeless at Home at the Prevention stage. If this decision is not made the savings are not achievable	Efficiency	500	500	0	**1,000**	0
Homelessness	Increase in Vacancy Factor	Increase in vacancy factor to reflect the underspend on mainstream staffing in previous years. £224k, a 2% increase from 3.5% to 5.5%. Vacancies are being utilised in 2023/24 to fund Transformation posts/double running	Efficiency	0	224	0	**224**	0
Homelessness	Expansion of Dispersed Accommodation Pilot	An expansion of the current pilot, increased properties managed by a Registered Provider would reduce the Housing Subsidy loss to MCC by £0.5m	Efficiency	250	250	0	**500**	0
Total			**Revised Total**	**1,244**	**2,070**	**1,332**	**4,646**	

Corporate Core

Service	Description of Saving	Impact	Type of Saving	Amount of Saving 2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000	Indicative FTE Impact
Resident and Business Digital Customer Experience (RBDXP)								
Customer Services and transactions	ICT investment will make digital access easier and increase no of residents using digital channels rather than traditional channels for contact	Reduced staffing requirement due to increased digital access, staffing reduction will be managed through turnover.	Efficiency	0	0	200	**200**	7
Digital Data Insights								
ICT	Due to increased flexible working and access to MS teams, reduce number of telephones (mobiles and landlines) across the council	Link to EUD reduce mobile phones and 8x8	Efficiency	5	25	25	**55**	0
ICT	ICT software change that provides staff authentication to use MCC systems	Minimal impact, staff will authenticate access using different software	Efficiency	90	0	0	**90**	0
ICT	Rationalise Wi-Fi providers	Reduce number of wifi providers across the estate	Efficiency	0	0	184	**184**	0
ICT	Due to changes in working arrangements, reduce both the number of printers across the estate and the volume of prints.	Re procure new print supplier and reduce number of printers across the estate to reflect new flexible working	Efficiency	5	25	0	**30**	0
A More Purposeful and Effective Core								
Finance, Procurement & Commercial Governance	As part of the planned change in ERP system there will be increased efficiency through standardisation of processes, training of budget holders and self-service.	Look to manage and plan staffing reductions through changed processes and enabling head count reduction through natural turnover and management of vacancies	Efficiency	200	200	200	**600**	12
HR/OD	Replace existing ATS software to improve recruitment processes and new front Door implementation.	Look to manage and plan staffing reductions through natural turnover and management of vacancies	Efficiency	0	50	65	**115**	

Service	Description of Saving	Impact	Type of Saving	Amount of Saving				Indicative FTE Impact
				2023/24	2024/25	2025/26	Total	
				£'000	£'000	£'000	£'000	
Performance Research & Intelligence	Review service operating model with greater emphasis on proactive work to improve our data and develop self-serve capacity and greater prioritisation of requests from services	Reduced staffing. Stakeholders improve data quality, agree to reduce the volume of requests and commit to self serve as systems improve to enable this	Efficiency	0	122	125	**247**	5
Legal	Increased income through review of fees and charges	Increased fees for legal services to third parties	Income Generation	0	50	100	**150**	0
Total Future Shape Programme				**300**	**472**	**899**	**1,671**	**27**
Housekeeping								
City Policy	Reduce strategic cultural grant to NFM	Reduce grant support to NFM	Efficiency	50	50	0	**100**	0
Reform & Innovation	Workforce review	Reduction in staffing budget through vacant posts	Efficiency	20	0	0	**20**	0
Communications	Review print and mailroom processes	Reduce print sites, introduce digital scanner solution and reduce courier costs	Efficiency	15	35	70	**120**	0
Communications	Review subscription and software licenses	Reduce subscriptions, software and reputation research	Efficiency	30	0	0	**30**	0
Registrars	Review existing fees and charges to align with other Core Cities	Increased fees for ceremonies and certificates	Income Generation	0	20	0	**20**	0
Customer Services and transactions	Review annual income targets for clamping budgets	Increased income because of activity levels	Income Generation	150	0	0	**150**	0
Corporate Core	NI and Superannuation savings through introduction of electric car leasing	Employees will access ULEV through salary sacrifice	Efficiency	0	100	120	**220**	0
Corporate Core	Savings against historic pension costs	Historic budget reduced to reflect current needs	Efficiency	500	0	0	**500**	0

Service	Description of Saving	Impact	Type of Saving	Amount of Saving				Indicative FTE Impact
				2023/24	2024/25	2025/26	Total	
				£'000	£'000	£'000	£'000	
Parking	Review existing parking and bus lane reserve	Review forecast bus lane and parking reserves to ensure investment opportunities are maximised. The funding will be used a year in arrears to contribute to funding the road safety elements funded through the transport levy.	Efficiency	2,300	0	0	**2,300**	0
Total Housekeeping Savings				**3,065**	**205**	**190**	**3,460**	**0**
Grand Total Corporate Core			Revised Total	**3,365**	**677**	**1,089**	**5,131**	**27**

Growth and Development

Service	Description of Saving	Impact	Type of Saving	Amount of Saving				Indicative FTE Impact
				2023/24	2024/25	2025/26	Total	
				£'000	£'000	£'000	£'000	
Investment Estate	Recognise annual agreed increase in Manchester Airport Group Rents	Minimum rents increase in line with contracts	Income Generation	630	170	815	**1,615**	0
Investment Estate	No invest to save recharge following sale of property	None	Efficiency	170	0	0	**170**	
Investment Estate	Charge staff time to capital/sale activity	Will increase capital costs, but reflective of activity levels	Efficiency	150	0	0	**150**	0
Strategic Housing	Delete existing vacancy in strategic housing	Potential reduced staffing capacity	Efficiency	9	0	0	**9**	1
Total			Revised Total	**959**	**170**	**815**	**1,944**	**1**

Executive 15 February 2023
Medium Term Financial Strategy and 2023/24 Revenue Budget
Appendix 3 – Investment, Pressures and Growth Proposals 2023/24 to 2025/26

Summary overview

Directorate	Amount of Investment			
	2023/24	2024/25	2025/26	Total
	£'000	£'000	£'000	£'000
Adult Social Care	20,450	8,806	2,011	31,267
Public Health	0	0	0	0
Children's Services	6,927	0	0	6,927
Neighbourhoods	1,200	0	0	1,200
Homelessness	4,000	0	0	4,000
Corporate Core	6,511	0	0	6,511
Growth and Development	300	0	0	300
Total Growth, Pressures, and Investment Proposals 2023/24	**39,388**	**8,806**	**2,011**	**50,205**

Adult Social Care

Service	Investment Description	Type of Investment	Amount of Investment 2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000
Adult Social Care	Investment to sustain the social work infrastructure and reablement capacity, supporting new models of care funded via smoothing reserve for 3 years.	Investment	1,300	0	0	**1,300**
Adult Social Care	Funding for Real Living Wage from Corporate Inflation		3,500	0	0	**3,500**
Adult Social Care	Funding to replace Independent Living Fund		2,000	0	0	**2,000**
Adult Social Care	ASC Market Sustainability Grant		4,443	3,105	0	**0**
Adult Social Care	Adult Social Care Discharge Fund		4,451	2,969	0	**0**
Adult Social Care	Additional 1% Council Tax Precept Funding		2,027	2,274	0	**0**
Adult Social Care	Contribution to market costs from Corporate Inflation		2,729	458	2,011	**5,198**
Total Adult Social Care			**20,450**	**8,806**	**2,011**	**11,998**

Children's Services

Service	Investment Description	Type of Investment	Amount of Investment 2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000
Children's Safeguarding	Early Years - The Dedicated Schools Grant (DSG) is significantly overspent and is subject to a recovery plan. Following a line-by-line review of spend and to reduce pressures it is proposed that £0.940m commissioned training support in relation to early years high needs will no longer be charged to the high needs block and charged to Early Years council budget instead, additional Council budget will be allocated to accommodate this transfer.		940	0	0	**940**

Service	Investment Description	Type of Investment	Amount of Investment			
			2023/24	2024/25	2025/26	Total
			£’000	£’000	£’000	£’000
Children’s Safeguarding	Take a Breath - it is proposed that both in-house solutions and longer term enhanced solo residential provision is developed. Two/three multi-building registrations are proposed. One to apply additional capacity to an existing Manchester in-house residential resource and the others with a commissioned provision with a trusted provider. These would be delivered as an internal service and that the commissions would be a direct award. These services would support children presenting in A&E/paediatrics, currented admitted on ward and or in tier 4 acute provision with unstable placement/no place to return up to 18 years. The cost of this investment is £1.4m in total, in line with current Multi-Agency Resourcing Arrangements circa the revenue cost of the provisions will be met by the Council, £1m and the balance will be supported by Health. It is anticipated that this provision will reduce the need for high-cost external residential placements, the cost saving is estimated to be £366k per annum.	Investment	915			**915**

Service	Investment Description	Type of Investment	Amount of Investment 2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000
Children's Safeguarding	Short Breaks - Provides disabled children and young people with a chance to spend time away from their parents, relax with friends and have fun. They also provide families with a break from their caring responsibilities. Not all children and families will need the same level of short breaks, and some will need more than others because of the impact of their child's disability or their individual family circumstances. If a child qualifies for a specialist's short break they can receive support via a grant, a direct payment for the cost of the child's activities and services. The current short break's budget is overspent due to a rise in the number of children that qualify and want a direct payment.	Investment	125			**125**

Service	Investment Description	Type of Investment	Amount of Investment 2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000
Children's Safeguarding	Social Work International Recruitment - In March 2020, Children's Services introduced a 5-year workforce strategy which set out the ambition to develop, build and maintain a stable, talented, and confident workforce which is key to supporting the Council to be judged 'good to better' by Ofsted. The strategy included a range of proposals including service redesign, stronger performance management, workforce initiatives and the application of market rate supplements. Implementation of the strategy has led to a reduction the staff turnover. However, nationally there is a growing shortage of children's social workers in the UK, this in turn has led to nationally councils' spending on agency staff has increased sharply in five years. Whilst number of agency workers has not reached levels it has in many councils Manchester has had to increase its use children agency workers this year, the current position is not sustainable. To attract diverse and experienced social workers the city is looking to recruit from abroad. Social Work Vacancy Factor - In 2022/23 the Council proposed an additional 1% workforce saving. This saving was arrived at by increasing budget assumptions on rate of vacancies and not assuming employees would be at the top of their salary scale.	Investment	748			**748**

Service	Investment Description	Type of Investment	Amount of Investment 2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000
Children's Safeguarding	Family Group Conferencing - Is a family-led meeting in which the family and friends network come together to plan for a child. The process is supported by an independent coordinator who helps the family prepare for the family group conference. Children are usually involved in their own family group conference, often with support from an advocate. It is a voluntary process and families cannot be forced into one. Where successful it helps children remain within their families whilst improving their lived experience. Research confirms that placing children in kinship foster care helps them maintain important family and community connections. The Directorate is looking to set-up another FGC team.	Investment	250			**250**

Service	Investment Description	Type of Investment	Amount of Investment			
			2023/24	2024/25	2025/26	Total
			£'000	£'000	£'000	£'000
Children's Safeguarding and Education	Foster Care Recruitment and Project Management - Mockingbird scheme enables foster parents are to support other foster parents, this is a critical strategy for foster parent retention. Carers cite that they quit because they feel a lack of support for the responsibility they have taken on. FGC and Mockingbird outlined in are just two measures the Fostering service is looking to develop to promote kinship care and increase the number of internal foster care placements over a period. The service plans that future recruitment campaigns will focus on utilizing existing foster parents to help recruit additional foster homes. Rather than relying on general marketing campaigns and setting up tables at fairs – which increase public awareness but have not always been effective recruitment strategies. The service's focus is on supporting existing foster parents as partners to recruit prospective foster parents from their own networks. This is known to work. Additional budget is required to publicise, and project manage this approach.	Investment	98			**98**

Service	Investment Description	Type of Investment	Amount of Investment 2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000
Children's Safeguarding	Family, Drugs, Alcohol Courts - Parental substance misuse is a common reason for families becoming involved with children's social care in England. FDAC aims to help parents address their substance misuse issues, improve family functioning and reduce the need for children to enter care. This is a multi-disciplinary service model which aims to improve the coordination of services for families, such as social services, substance abuse treatment, therapeutic services, domestic abuse intervention, employment, and housing. This package of support is overseen by a court, which monitors parent's compliance and administers rewards and sanctions. Manchester is looking to invest in this alternative to traditional care proceedings with other Greater Manchester Combined Authorities.	Investment	164			**164**
Children's Safeguarding	Placement and Home to School Transport pressures - Due to national shortage of placements the Local Authority where appropriate is having to place children in external residential provision, this is adding pressure to the placement's budget. Manchester is looking to increase capacity through Take a Breath and development of local residential provision. Delay in implementation of route planning software may lead to pressures in bringing the HTST budget back into balance.	Investment	1000			**1,000**

Service	Investment Description	Type of Investment	Amount of Investment			
			2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000
Education	Home to School Transport – This is a statutory service and provides transport to eligible children at the start and end of the school day. The total budget for this service is £9.7m p.a. The increasing number of pupils with Education, Health, and Care plans (EHCP) because of increasing levels of need have resulted in more individualised and specialised packages of support being put in place. In addition, the extension of Education, Health, and Care Plans (EHCPs) to young people aged up to the age of 25 has seen an increasing number of young people eligible and requiring transport for longer. The service is currently overspent by £2.5m, of which £1m is inflation, relating to: fuel costs, driver availability and vehicle maintenance costs. The full year effect of inflation is expected to be an additional £0.5m next financial year. The service is planning to manage the balance of the pressure, estimated to be £1.1m, by working with parents and carers to co-design the response and through route planning, re-commissioning of routes, and the promotion and support of independent travel training, where appropriate. In order to balance the budget next year, it is of paramount importance that the route planning software is implemented in time for the new academic year.	Inflation	500			**500**
Children's Safeguarding	Internal placements - Manchester has always sought to internal foster carers. Current inflation and cost of living pressures will need to be recognised in order to support carers.	Inflation	1966			**1,966**

Service	Investment Description	Type of Investment	Amount of Investment 2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000
Children's Safeguarding	First Home Grant for Carer Leavers - is aimed to help young care leavers establish themselves independently for the first time. Currently the grant can be to a maximum of £2k, the impact of inflation has not been recognised for several years. Following an assessment on the rising cost associated with the move to independence it is the Directorate's view that the grant be uplifted to £3k, the impact of this proposal is estimated to be £113k. Winter Payment for Care Leavers - about 413 Care Leavers live in their own tenancy and or are responsible for paying utility bills. It is proposed that they would receive £10 per week for 6 months winter payment, at cost of £108k. Feedback received from Care Leavers that received this payment this year and is that it has made a huge difference to young people. This payment has been paid this year from a grant, at this stage MCC is not expecting the grant next year.	Inflation	221			**221**
Total Children's Services			**6,927**	**0**	**0**	**6,927**

Neighbourhoods

Service	Investment Description	Type of Investment	Amount of Investment 2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000
Waste and Street Cleaning	Investment of £1.2m to support specific activity in and around the City Centre, District Centres and key arterial routes.	Investment	1,200	0	0	**1,200**
Total Neighbourhoods			**1,200**	**0**	**0**	**1,200**

Homelessness

Service	Investment Description	Type of Investment	Amount of Investment 2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000
Homelessness	However, there are specific demand and inflation pressures facing the Homelessness Budgets. Government refugee and asylum schemes are placing pressure on Manchester temporary accommodation market, driving up cost, resulting in a £4m fee uplift requirement for Homeless Temporary Accommodation and this pressure has been reflected in the Medium-Term Financial Plan with £4m of growth proposed for Homelessness in 2023/24. Wherever possible we have looked to ensure we are maximising external income generation, and this includes close work with colleagues in Revenues and Benefits to maximise Housing Benefit claims.		4,000	0	0	**4,000**
Total Homelessness			**4,000**	**0**	**0**	**4,000**

Corporate Core

Service	Investment Description	Type of Investment	Amount of Investment			
			2023/24	2024/25	2025/26	Total
			£'000	£'000	£'000	£'000
ICT	ICT systems and cyber security resources		250	0	0	**250**
HROD	HR investment in disability hub		250	0	0	**250**
Revenue and Benefits	Additional software licenses there has also been increased requirements in respect of ensuring systems remain secure, to avoid any security compromises and to aid this additional software has been installed in 2022/23 and the full year costs in 2023/24 will be c£461k per annum.		461	0	0	**461**
Revenue and Benefits	Target support for vulnerable residents and voluntary sector		2,000	0	0	**2,000**
Revenue and Benefits	Cost of Living Support		3,550	0	0	**3,550**
Total Corporate Core			**6,511**	**0**	**0**	**6,511**

Growth and Development

Service	Investment Description	Type of Investment	Amount of Investment 2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000
City Centre Regen	It is proposed to invest £300k to provide additional resources to enable capacity to support the establishment of a new team within City Centre Growth and Infrastructure, and to provide additional capacity to the Highways Development Specialist team. The teams will work closely together to ensure that an integrated and holistic approach is taken to the development and delivery of strategic infrastructure across the city, with an initial focus on the development and delivery of our sustainable and active travel programmes and driving forward delivery of our Clean Air and net-Zero Carbon transport aims in line with Our Manchester Strategy. These roles will ensure alignment of scheme delivery, for all our residents, in line with our 2038 net-zero carbon and 2040 Strategy transport commitments.	Investment	300	0	0	**300**
Total Growth and Development			**300**	**0**	**0**	**300**

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Appendix 4

LEGAL BACKGROUND TO SETTING THE REVENUE BUDGET AND COUNCIL TAX

1. INTRODUCTION

1.1 The council tax is basically a tax on property with a personal element in the form of discounts and reductions. Discounts include the 25% discount in respect of dwellings occupied by a single person. Reductions include reductions in pursuance of the Council's council tax reduction scheme made under the Local Government Finance Act 2012 which has replaced council tax benefit.

1.2 All dwellings are listed in one of eight valuation bands and the amount of council tax payable in respect of each dwelling (before discounts and other reductions) is in a set proportion between each band. The Headline Tax is calculated for Band D and the tax in the remaining bands is worked out as a proportion of this amount. The lowest Band (A) is two-thirds of Band D and the highest Band (H) is twice Band D and three-times Band A. The proportions are as follows:

A:	B:	C:	D:	E:	F:	G:	H:
6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9

1.3 There are three main stages in setting the council tax:-

STAGE 1 - The Council calculates its own **council tax requirement,** (i.e. its net revenue expenditure), including levies issued to it but not precepts.

STAGE 2 - The Council then calculates its **basic amount of council tax** which is the Manchester City Council (MCC) element of the council tax for Band D and which takes account of council tax requirement and the council tax base calculated at an earlier stage and after that the MCC element of the remaining bands.

STAGE 3 - Finally, the Council sets the council tax for the area in bands, being the aggregate of the MCC element of the tax and the element of the tax precepted by the Greater Manchester Combined Authority Mayoral Police and Crime Commissioner (GMCA MPCC) Precept and the Greater Manchester Combined Authority Mayoral General Precept (including Greater Manchester Fire and Rescue Services).

2. STAGE 1 - THE COUNCIL TAX REQUIREMENT

2.1 Members should note that the Localism Act 2011 amended the Local Government Finance Act 1992 ("LGFA 2011") to introduce a duty to calculate a "council tax requirement".

2.2 Section 31A of the LGFA 1992 requires the Council to make three calculations, in effect -

(i) an estimate of the Council's gross revenue expenditure - Section 31A(2);

(ii) an estimate of anticipated income - Section 31A(3)

(iii) a calculation of the difference between (i) and (ii) above, (i.e. net revenue expenditure) - Section 31A(4) – this is known as the **council tax requirement.**

2.3 More specifically, in its Section 31A(2) calculation of gross expenditure the Council should include -

(a) estimated revenue account expenditure to be incurred during the year;

(b) an appropriate allowance for contingencies (i.e. an allowance for unforeseen events);

(c) any raising of reserves for future years (e.g. payments into special funds);

(d) any estimated revenue account deficit for previous years not already provided for;

(da) any amount estimated to be transferred from the general fund to the collection fund in accordance with regulations in respect of business rates.

(e) any amount estimated to be transferred from the general fund to the collection fund on account of the Council's share of any collection fund deficit

(f) an estimate of certain amounts to be transferred to the collection fund pursuant to a direction of the Secretary of State (e.g. any estimated shortfall in collection of Business Rates in excess of allowance for non-collection).

2.4 The Section 31A(3) calculation is the aggregate of the sums to be set off against gross expenditure, namely -

(a) estimated income from fees, charges, specific grants, and revenue support grant (RSG).

(aa) any amount estimated to be transferred from the collection fund to the general fund in accordance with regulations in respect of business rates

(b) any amount estimated to be transferred from the collection fund to the general fund on account of the Council's share of any collection fund surplus

(c) an estimate of certain transfers from the collection fund to the general fund e.g. allowance for costs of collecting business rates;

(d) any amount of reserves/balances intended to be used towards meeting revenue expenditure

2.5 Section 31A(4) then requires the calculation under Section 31A(3) to be subtracted from that under Section 31A(2) to produce a calculation of estimated net expenditure known as the **council tax requirement**.

2.6 These calculations must be made before 11 March, although they are not invalid merely because they are made on or after that date. However, until the calculations are made any purported setting of the Council Tax will be treated as null and void.

2.7 It should be noted that the general fund has to stand the cost of any temporary lending to the collection fund to cover late payments/non-collection.

2.8 It should be noted that significant amounts of expenditure are financed through government grants (such as the Dedicated Schools Grant for schools' budget related expenditure) and not directly through council tax. Such expenditure will be calculated under Section 31A(2)(a) and will be offset by the specific grants which will be included in the calculation under Section 31A(3)(a).

2.9 It should be noted that the Local Government Finance Act 2012 enables the Council to retain around half of Manchester's business rates income, rather than this being paid into a central government pool and redistributed. This will involve a separate calculation under Section 31A (3) (aa)

3. THE LEVEL OF THE COUNCIL TAX REQUIREMENT

3.1 The level of the Section 31A calculations, and in particular the calculation of the council tax requirement is of crucial importance both legally and financially. In particular -

- the amount of the council tax requirement must be sufficient to meet the Council's legal and financial commitments and ensure the proper discharge of its statutory duties.

- the amount of the council tax requirement must ensure a balanced budget.

- the amount of the council tax requirement must leave the Council with adequate financial reserves.

- the level of the council tax requirement must not be unreasonable having regard to the Council's fiduciary duty to its Council Taxpayers and ratepayers.

- the amount of the council tax requirement will be relevant to the question of whether or not the Council is required to hold a council tax referendum (see paragraph 5).

3.2 The level of the council tax requirement, together with the council tax base (see paragraph 4.3) will determine the Council's basic amount of council tax.

4. STAGE 2 - THE COUNCIL'S BASIC AMOUNT OF COUNCIL TAX

4.1 Having calculated its council tax requirement, the Council is then required under Section 31B, LGFA 1992 to calculate its **basic amount of council tax**. This is the MCC element of Band D Council Tax. Then, under Section 36, it must calculate the MCC element of all the bands as a proportion of the Band D calculation.

4.2 Section 31B Calculation

The MCC Element of the Band D Council Tax is known as the basic amount of council tax. This is calculated by applying the following formula -

$$R \div T$$

where -
R is the council tax requirement, and
T is the council tax base.

4.3 Council Tax Base

The council tax base is basically the Band D - equivalent number of properties in the City adjusted to take account of discounts premiums and reductions and multiplied by the estimated collection rate. The City Treasurer (in consultation with the Executive Member for Finance and Human Resources) acting under delegated powers has calculated the council tax base for 2020/21 to be 118,864.8. It should be noted that the basis of calculations has changed as a result of localisation of council tax support and that the effect of the authority's council tax reduction scheme operates to reduce council tax base.

4.4 Section 36 Calculation

Having calculated the basic amount of council tax (i.e. the MCC element of the Band D tax) the Council is then required to convert it into a MCC element for all Bands by multiplying it by the formula -

$$N \div D$$

where -
N is the proportion for the band as set out below and,
D is 9.

4.5 The proportions for each band are as follows:-

A:	B:	C:	D:	E:	F:	G	H:
6	7	8	9	11	13	15	18

5. COUNCIL TAX REFERENDUMS

5.1 The Localism Act 2011 ("LA 2011") abolished council tax capping and replaced it with a requirement to hold a council tax referendum if an authority increases its council tax by an amount exceeding a level set out in principles determined by the Secretary of State and approved by the House of Commons. The new requirement appears in Chapter 4ZA of Part 1 of the LGFA 1992 which was inserted by Schedule 5 of the LA 2011.

5.2 The provisions require the Council to determine whether its "basic amount of council tax" for a financial year is excessive. This question must be decided in accordance with a set of principles determined by the Secretary of State. The Secretary of State had indicated the principles he was minded to set. In relation to all principal authorities, such as Manchester, an increase of more than 5.0%, (including 2.0% for adult social care) is deemed "excessive" in 2023/24. The Council element is only increasing by 4.99% in 2023/24 not 5.0%. All figures are based on an increase in an authority's "***basic amount of council tax"*** between 2017/18 and 2020/21. The definition of "basic amount" is set out in Section 52ZX, LGFA 1992.

5.3 The legislation places the onus on each authority to determine whether its basic amount of council tax is excessive by reference to the Secretary of State's principles. Where a precepting authority has determined that its increase is excessive, it must arrange for a referendum to be held. Where a precepting authority (e.g. GMCA MPCC or GMCA MF) has determined its increase is excessive, it must notify the billing authority to which it precepts. The billing authority or authorities will then be required to make arrangements to hold a referendum in relation to the precepting authority's increase.

5.4 If an authority determines that it has set an excessive increase, it must also make "substitute calculations" to produce a basic amount of council tax which does not exceed the principles. The substitute calculations would automatically take effect in the event that the voters reject the authority's increase in a referendum. The costs of this referendum are the responsibility of the authority which triggered it.

6. STAGE 3 - SETTING THE COUNCIL TAX

6.1 The final part of the process is for the Council as billing authority to set the overall council tax for each band. Whereas the billing authorities and major precepting authorities **calculate** their own council tax requirements, their own basic amounts of council tax and amounts for each band, the **setting** of the council tax is solely the responsibility of the Council as billing authority.

6.2 Section 30 of the 1992 Act provides that the amounts set for each band will be the aggregate of the City element for each band calculated under Section 36 and the amount calculated for each band by each of the major precepting authorities.

6.3 The council tax must be set before 11 March (i.e. no later than 10 March), although it is not invalid merely because it is set on or after that date.

6.4 The council tax cannot be set before 11 March unless all precepting authorities have issued their precepts; nor can it be set before the Council has made the other required calculations. Otherwise, any purported setting of the tax will be treated as not having occurred.

6.5 The Council has a clear legal duty to set a council tax and a resolution not to set a council tax would be unlawful, being in breach of Section 30, LGFA 1992. So would be a resolution to set a council tax which deliberately did not balance the various calculations.

7. CONSTITUTIONAL ARRANGEMENTS

7.1 Members should note that under the Council's constitutional arrangements, the functions of calculating the council tax requirement and the basic amount of council tax and the function of setting the council tax are the responsibility of the full Council. The function of preparing estimates and calculations for submission to Council is the responsibility of the Executive.

7.2 The Council's Constitution provides a procedure for the resolution of any conflict between the Executive and the Council which gives effect to the Local Authorities (Standing Orders) (England) Regulations 2001. However, this only applies where the estimates and calculations are prepared by the Executive before 12 February. Any conflict can be resolved through the scrutiny process. The Budget and Policy Framework Rules provide that where the Resource and Governance Scrutiny Committee has any objection to the estimates and calculations prepared by the Executive, it will report such objections to the Council, the Leader and the Executive Member for Finance and Human Resources. The Leader and/or the

Executive Member will report to the Council whether they agree or disagree with any objection of the Scrutiny Committee.

8. RESTRICTIONS ON VOTING

8.1 Members should be aware of the provisions of Section 106 of the Local Government Finance Act 1992, which applies to members where -

(a) they are present at a meeting of the Council, the Executive or a Committee and at the time of the meeting an amount of council tax is payable by them and has remained unpaid for at least two months, and

(b) any budget or council tax calculation, or recommendation or decision which might affect the making of any such calculation, is the subject of consideration at the meeting.

8.2 In these circumstances, any such members shall at the meeting and as soon as practicable after its commencement disclose the fact that Section 106 applies to them and shall not vote on any question concerning the matter in 8.1 (b) above. It should be noted that such members are not debarred from speaking on these matters.

8.3 Failure to comply with these requirements constitutes a criminal offence, unless any such members can prove they did not know that Section 106 applied to them at the time of the meeting or that the matter in question was the subject of consideration at the meeting.

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Appendix 5 - Reserves Strategy

1. Introduction and background

1.1. It is important that the Council has a strategic approach to the creation and use of reserves to ensure an appropriate level of reserves is maintained to protect against future budgetary and the levels of risks faced.

1.2. Section 25 of the Local Government Act 2003 requires that when a local authority is making its budget calculations, the Chief Finance Officer must report to the Council on the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves. The Chief Finance Officer also has a responsibility to ensure there are clear protocols for the establishment of, and use of reserves.

1.3. Local authorities hold two categories of reserves, usable and unusable:
- usable reserves are defined as those that the Council could utilise to fund capital or revenue expenditure. Some of these could be applied generally, others will have stipulations attached to their use;
- unusable reserves hold unrealised gains or losses for assets not yet disposed of and also accounting adjustments which are required by statute. These reserves cannot be used to fund capital or revenue expenditure.

1.4. This paper will focus on usable reserves. The Council holds a number of these, all of which, aside from the General Fund Reserve, have been set aside to meet specific future expenditure or risks including Private Finance Initiative (PFI) costs, statutory reserves, school balances and grants which cross over financial years.

1.5. Reserves have an important role as, unlike bodies such as the NHS, all risks have to be managed within the local authority. Also, unlike central government, borrowing, other than for investment in assets, is not allowed and there is a statutory requirement to balance budgets on an annual basis. It is equally important that reserves are not held unnecessarily.

1.6. As per the Financial Regulations Reserves, reserves are held and managed corporately, even if they originated from a departmental grant receipt or underspend. Before spend is incurred which will be reimbursed from a reserve, the appropriate approvals must be obtained.

1.7. This paper will include:
- The level of reserves
- The strategy for the management of Council reserves and a high-level overview of the level of financial risks faced.
- An explanation of why each reserve is held and the utilisation plans aligned to the Council’s priorities over the medium to long term.

2. Level of Reserves

2.1. Table One below summarises the Council's reserves. At the end of 2022/23 the council's total useable reserves are forecast to total £458m. Of these, £120.8m are ringfenced to the HRA, Schools and Business Rates COVID-19 grants.

2.2. £150m is committed to support the £1.1bn capital programme, most of which is contractually committed to.

2.3. The remaining revenue reserves are £187m, against an annual revenue budget of £1.6bn, which would only fund 42 days of expenditure. Within this the only truly unallocated reserve for unknown risks or events, is the General Fund Reserve of £23.5m, which would fund 5 days of expenditure.

Table one: Usable Reserves Summary

	Actual Closing Balance	**Forecast Closing Balance**			
	Mar-22	**Mar-23**	**Mar-24**	**Mar-25**	**Mar-26**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
(1) Ringfenced reserves:					
HRA Reserves	114,360	99,624	77,970	52,216	50,711
School Reserves	20,086	14,000	14,000	14,000	14,000
Earmarked -Business Rates - COVID 19	117,015	7,166	0	0	0
Sub-total ringfenced	**251,461**	**120,790**	**91,970**	**66,216**	**64,711**
(2) Reserves supporting the capital strategy	**163,644**	**150,037**	**135,139**	**105,260**	**77,028**
(3) Other reserves:					
Other Earmarked Reserves	202,251	163,465	142,409	104,710	70,544
General Fund	26,497	23,527	23,527	23,527	23,527
Sub Total revenue general reserves	**228,748**	**186,992**	**165,936**	**128,237**	**94,071**
Total All Reserves (1+2+3)	**643,854**	**457,820**	**393,045**	**299,714**	**235,811**

3. High Level reserves strategy and risks

3.1. The Council has a well-established approach to delivering a sustainable Medium Term Financial Plan. This is fully integrated with the reserves strategy. The Medium Term Financial Strategy sets out the prudent approach to investment income and other fortuitous or one-off grants and income to avoid sudden budget cliff edges and peaks and troughs in spend. The careful use of reserves in managing risk and timing differences and provide the time necessary to deliver on its planned savings remains key to this approach. It is proposed to continue with this strategy and use smoothing reserves to manage the uncertainty around the funding position.

3.2. The use of revenue reserves is not a sustainable strategy to fill the gap from government funding reductions or to avoid the requirement to make savings. A usable reserve is a finite, cash balance which can only be used once, whereas the reduction in funding is a permanent year-on-year loss to the Council's base budget.

3.3. Whilst the Council appears to be at the more resilient end of the reserve spectrum it is a complex organisation with a wide scale and diversity of assets, interests, liabilities and other responsibilities. By their nature many of the risks are unknown and cannot be quantified, particularly in the current challenging financial climate. It is therefore essential that adequate reserves are held.

3.4. The Reserves Strategy is based on the below which has been developed from the Financial Management Code, Prudential and Treasury Management Codes and the Council's approach to risk management.

3.5. The reserves are categorised in the budget report and annual accounts as follows:

- **Ring-fenced Reserves outside the General Fund:**
  - HRA Reserves – use of these reserves is governed by the HRA Business Plan.
  - Schools reserves – schools funding which the Council cannot utilise.

- **Earmarked Reserves:**
  - Statutory reserves – such as the Bus Lane and Parking Reserves, where the use of these monies is defined in statute.
  - PFI Reserves – held to meet costs across the life of the PFI schemes
  - Reserves to manage Economic and Commercial Risks
  - Insurance Fund Reserve
  - Reserves held to support the delivery, financing, and risk of the capital strategy, including;
    - Capital Fund Reserve
    - Capital Financing Reserve
    - Other Reserves held to support capital schemes
  - Reserves to support delivery and risk of the Medium-Term Financial Plan, including;
    - Budget Smoothing Reserve
    - Reserves held to support reform
  - Reserves held for Accounting Purposes, including;
    - Grant reserves relating to COVID-19 residual costs (fully applied 2022/23)

- Business Rates – COVID 19 grants applied over multiple years to offset lost rates income (fully applied by 2023/24)
  - Other Specific Reserves

- **General Fund Reserve**

4. Detail by Reserve

4.1. The following paragraphs explain why each significant reserve, (Over £1m opening balance at 1 April 2022), is held and the utilisation plans, aligned to the Council's priorities over the medium to long term.

Ring-fenced Reserves outside the General Fund

HRA Reserves

4.2. The Housing Revenue Account has four specific reserves as shown in the table below and explained in the following paragraphs.

Table two: HRA Reserves Summary

	Forecast Closing Balance			
	Mar-23	**Mar-24**	**Mar-25**	**Mar-26**
Housing Revenue Account Reserves	**£000**	**£000**	**£000**	**£000**
Housing Revenue Account General Reserve	63,124	41,470	15,716	14,211
HRA PFI reserve	10,000	10,000	10,000	10,000
HRA Residual liabilities fund	24,000	24,000	24,000	24,000
Housing Insurance reserve	2,500	2,500	2,500	2,500
Total HRA	**99,624**	**77,970**	**52,216**	**50,711**

4.3. Based on the latest forecast position (December 2022) the HRA will have total reserves of c£100m at March 2023, of this c£63m are general reserves with the remainder being ringfenced to cover issues such as potential HRA Insurance liabilities and any residual liabilities on former stock transfer land.

4.4. The total HRA reserves are forecast to reduce by c£49m by 2025/26 to c£51m. These reductions reflect planned capital investment of c£103m over the next three years, of which c£91m is to be funded through the HRA, with the balance from external grants and capital receipts. Capital costs are increasing with the impact of inflation and the planned use does not take into account the zero carbon ambitions.

4.5. The other HRA reserves include:

- HRA PFI reserve – set up to cover additional costs arising on the PFI contracts. This is likely to be reduced during a 2023/24 review as all but one scheme are now in a "steady state" - with all major works completed.
- Residual Liabilities fund - set up to cover against potential claims from leaseholders on stock previously transferred out of the HRA. The levels of these risks and required reserve provision are to be reviewed during 2023/24 as the risk of any claim diminishes.
- Insurance reserve - mitigate the potential costs of any unforeseen events as low rise stock is self insured by the HRA.

4.6. The overall HRA debt currently stands at £121m, of which £60.7m in 2023/24 is external debt, the balance is covered by internal reserves, resulting in a significant saving on interest charges to the HRA.

4.7. Current projections show that the HRA reserves go into a negative position at around 2036/37 and are forecast to reach a deficit level of £17m at the end of the 30 years. Work is required to either reduce HRA costs or generate additional income in order to ensure that the HRA is sustainable throughout the life of the business plan.

School Reserves

4.8. *Schools Reserve (£20.1m)* - Schools balances are held by individual schools under the delegated scheme, and it is their decisions which inform the use of this reserve. The Scheme for Financing Schools includes a balance control mechanism, where it allows schools up to five years to spend an excessive balance. A percentage (as agreed by school forum) of the excess balance held for a period of more than four years can be clawed back. In 2022/23, ten Manchester Schools (nine primary and one special) were subject to a 100% clawback of excessive balances held for five years with a total clawback of £193k . This was used to offset the DSG deficit 2021/22 (see below). The reserves cannot be accessed by the Council.

4.9. The DSG is a ring-fenced grant and the deficit balance on the High Needs Funding block cannot be met from general council reserves. The projected cumulative deficit is £1.7m by the end of 2022/23 .There is a statutory override in place and a deficit recovery plan to bring the position back into balance by 2023/24

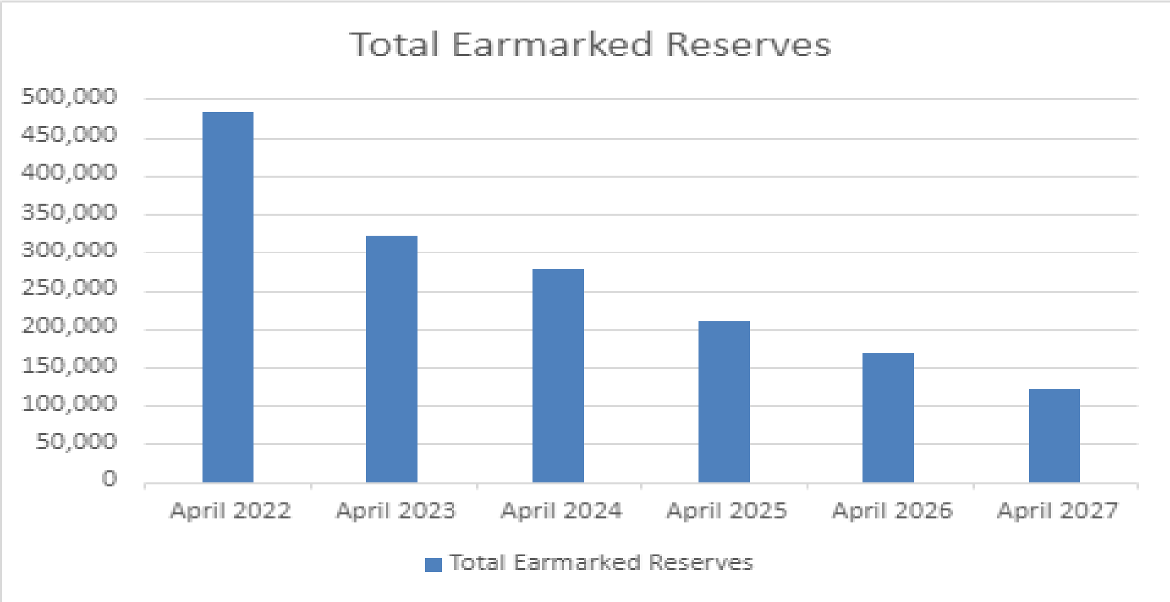
Earmarked Reserves

4.10. Some key points around the earmarked reserves are as follows:

- Cover all risks – self-insure, statutory reserves, capital financing reserve, Town Hall project.
- Utilised to avoid funding cliff edges – use one off income e.g. dividend to smooth spend over MTFP and give resilience for when other funding ends.
- Almost £42m of smoothing reserve is being used over the next four years to close budget gap.

- The 2022/23 opening balance is distorted by additional Government Covid grants. These will be fully used by 2023/24.
- Including capital reserves, earmarked are forecast to fall to c£165m by March 2026 which is relatively low.

4.11. The graph below demonstrates the anticipated annual reduction. The detail is shown in Appendix 5a.



Reserves that will be utilised to support the delivery, financing and risk of the Capital Strategy

4.12. Reserves are held to support the delivery of the Capital Strategy and the ambitious £1bn multi year capital programme, including to support the financing of the capital programme, manage risk and provide required capacity for investment.

Table three: Capital Reserves Summary

	Forecast Closing Balance			
	Mar-23	**Mar-24**	**Mar-25**	**Mar-26**
	£000	**£000**	**£000**	**£000**
Capital Fund Reserve	81,875	72,480	47,880	23,038
Capital Financing Reserve	34,730	34,730	34,730	34,730
Investment Reserve	8,888	6,699	4,470	2,576

	Forecast Closing Balance			
	Mar-23	Mar-24	Mar-25	Mar-26
	£000	£000	£000	£000
Town Hall Reserve	8,502	5,378	1,951	1,951
Enterprise zone reserve	2,558	2,959	3,357	3,750
Manchester International Festival	9,173	7,923	6,923	6,123
Eastlands Reserve	7	755	1,823	823
Highways Commuted Sums	4,305	4,216	4,127	4,038
Total	**150,037**	**135,139**	**105,260**	**77,028**

Capital Fund Reserve

4.13. The Capital Fund is a revenue reserve and therefore provides flexibility if elements of the capital programme have to be funded by revenue (such as feasibility studies, or cloud-based ICT solutions) and flexibility to fund assets with a short economic life which, if funded by borrowing, would create a significant minimum revenue provision impact. It also provides some capacity for strategic acquisitions or investment to deliver an economic return.

Capital Financing Reserve

4.14. The Capital Financing reserve is to fund future borrowing costs. As part of the delivery of the £1bn capital programme and in particular the Town Hall project, this was established so that the increased borrowing costs could be managed without putting increased pressure on the revenue budget. The reserve has been established from dividend, business rates and RCCO funding from the capital financing budget. The Council has a strong balance sheet and has maximised the level of internal borrowing (using the cash associated with reserves and provisions in lieu of external debt). As these reduce internal borrowing has to be replaced with additional external borrowing. The reserve helps manage the increased borrowing requirements from the programme and these timing differences, alongside absorbing some of the recent increases in the PWLB interest rates.

4.15. The Capital Fund reserve and the capital financing reserve are managed together, to enable the Council to optimise the funding of the Capital programme.

Other Reserves held to support capital and investment schemes

4.16. Investment Reserve - This reserve is in place to provide capacity to deliver regeneration and housing priorities. The proposed use includes £400k per year to meet the major regeneration strategy, a further £700k over two years to support This City, and funding for staffing posts in Strategic Housing, Major Regeneration, the Investment Estate, and City Centre Regeneration.

4.17. Town Hall Reserve - The reserve is to cover the revenue costs associated with the refurbishment of Our Town Hall, including the costs of alternative accommodation costs, and loss of income from events; partly offset by reduced spend on maintenance and utilities. The reserve was established from the proceeds of changing the timing of MRP payments on historic debt prior to the Our Town Hall project starting.

4.18. The Enterprise Zones - The Corridor Enterprise Zone (EZ) was established in 2016/17 and consists of two sub zones, the Manchester Science Park and Manchester University Hospital NHS Foundation Trust. Any business rates growth above a prescribed baseline is held in the reserve and is to be reinvested within the EZ. £0.542m is to be applied over the next 5 years to 2027/28 and will fund an EZ manager post and activities to promote and attract businesses to locate within the EZ, which will in turn increase the rates growth above baseline and funding available for reinvestment.

4.19. Manchester International Festival – the reserve was increased as part of the 2020/21 Budget Process to cover the future costs of the grant funding to Factory International, to support the commitment to provide ten years funding for the Factory. The reserve was funded from a one off Collection Fund surplus and has released a saving of £0.5m a year from the revenue budget.

4.20. Eastland Reserve (Waterfall) - this holds monies received in relation to the City of Manchester Stadium and is to be used to fund leisure investment across the City with agreement from Sport England.

4.21. Highways Reserve - This reserve was created so funds received as part of developer agreements could be utilised for highways schemes in future years.

Reserves held to support delivery and risk of the Medium-Term Financial Plan

4.22. The requirements of the Financial Management Code set out the need for a long term approach to financial planning. The next five years will bring considerable changes to Local Government Funding with a need to deliver £36.2m of budget cuts and savings in 2023-25 and to address significant funding risks from 2025/26. These risks are set out in the main MTFP. The reserves are set out in Table Four and explained below. They cover:

- The establishment of a Budget Smoothing Reserve, which has been and will continue to be integral to managing peaks and flows in funding and avoiding large budget cuts in any one year.
- Volatility of demand - Demand for social care services and homelessness, in particular are extremely volatile, with increasing acuity of need. The

impact of the cost of living crisis and backlogs of demand across the public sector as the country exits covid have compounded this position.

- Small reserves held to manage timing issues and risks with the delivery of the Council's reform agenda.

Table four: Reserves Supporting the MTFP Summary

	Forecast Closing Balance			
	Mar-23	**Mar-24**	**Mar-25**	**Mar-26**
	£000	**£000**	**£000**	**£000**
Budget Smoothing Reserve	48,731	46,431	36,908	17,758
Integration Reserve	0	0	0	0
Transformation Reserve	8,609	6,776	5,276	3,776
Supporting Families Reserve	2,439	1,639	439	0
Clean City	0	0	0	0
St. John's Growth Zone Reserve	1,156	0	0	0
Our Manchester Reserve	389	152	0	0
Adult Social Care	7,633	2,623	174	0
Children's Social Care Reserve	0	0	0	0
Homelessness Reserve	1,946	0	0	0
Total	**70,903**	**57,621**	**42,797**	**21,534**

4.23. Adult Social Care Reserve – this reserve is held to smooth the impact of volatile demand and risks on the Adult Social Care Budget over the MTFP and to support the planned phased delivery of the savings. Proposed uses include;

- Revenue contribution to capital works requirements arising from fire safety assessments for In House Supported Accommodation (£0.6m);
- Transfer to Smoothing Reserve to support the Councils MTFP (£9.6m);
- Support for proposed savings programme 2023-25 (£4.5m), and
- Support for the Care Market (£3m)

4.24. Children's Social Care Reserve – reserved to be fully utilised in 2022/23 to fund a £1.409m saving target, and £0.656m released to smoothing reserve.

4.25. Homelessness Reserve – £1.5m of this reserve is held to smooth the impact of potential demand pressures around the cost of living crisis. The remaining £2.4m is one off grant funding from DLUHC received in 2021/22 which is ringfenced and would need to be repaid if not used in line with grant conditions.

Budget Smoothing Reserve

4.26. The Budget Smoothing reserve has been created through underspends in previous years and from transfers from other reserves following a full review of reserves. It is used to smooth the impact of budget shortfalls whilst savings are developed and implemented. The 2022/23 Medium Term Financial

Strategy included identification of £30m of Earmarked Reserves which could support the revenue budget but would need to be replenished. £10m of these balances have been transferred to the smoothing reserve to be applied in 2025/26 to reduce the potentially significant cliff edge in funding for that year.

4.27. The anticipated reserve balance at the end of 2022/23 is £48.7m. It is expected that this be fully applied by 2026/27 supporting the following budgets:

- £39.3m support to the revenue budget at £3.7m in 2024/25 then £17.8m a year for the following two years.
- £3.5m contribution to GMCA relating to bus reform. Note this is funded from rebates previously received from GMCA.
- £4.5m to cover specific budget pressures - £1m to support Children's legal costs and a £1m contribution to the £3.5m cost of living support for 2024/25.
- £3.9m to fund the new care model costs for ASC at £1.3m per annum for 3 years on an invest to save basis.

Reserves held to support reform

4.28. The reserves will be held to support growth and reform and are set out below:

- Integration Reserve - The reserve is a joint resource between Manchester City Council and Manchester health locality used to support the Locality Plan and Health and Social Care Integration.

- Transformation Reserve - The transformation reserve is held to fund both Future Shape programme of £1.5m per year 2023-26. Additionally, to support the costs of Transformation Team agreed at £1m over three years due to end 2023/24.

- Supporting Families Reserve - It is proposed that the Thriving Families initiative, a whole family, strengths-based approach to child protection, is supported by the Supporting Families reserve. Funding of £0.8m in year one, £1.2m in year two and £0.4m in year three of the programme. Support would taper in year three as savings are generated from the work being undertaken. The reserve will be fully used by year three.

- Our Manchester Reserve - This is for additional investment made available as part of the 2017/20 budget process to drive the delivery of Our Manchester; for example, through providing Voluntary Sector Grants. This reserve is forecast to be fully utilised by 2024/25.

Managing Economic and Commercial Risks

4.29. The country is currently facing a recession and high inflation caused by a number of macro-economic factors. The potential effects of a recession could impact on revenue budgets, capital projects, treasury management and the pension scheme. With the increased reliance on locally raised resources and commercial income the Council is more susceptible to any downturn in the economy, specifically Business Rates, the Airport Dividend, the investment estate and planning income.

4.30. As per the MTFP, the use of reserves is applied to help mitigate these risks. For example, when airport dividend was received, the majority of airport dividend income has always been used in arrears. This gave a lead in time to managing the loss of this revenue and helped the Council avoid a S114 position during covid. Smoothing reserves are also in place to support volatile income such as planning fees.

4.31. As part of the work of the Commercial Board, the risk of the commercial activities are assessed and will inform the need for any future reserve provisions. The reserves held to manage economic and commercial risk are shown in the table below and explained in the following paragraphs.

Table five: Economic and Commercial Reserves Summary

	Forecast Closing Balance			
	Mar-23	**Mar-24**	**Mar-25**	**Mar-26**
	£000	**£000**	**£000**	**£000**
Business Rates Reserve	13,816	22,325	21,835	11,231
Airport Dividend Reserve	14,189	13,116	0	0
Planning Reserve	3,148	2,668	2,184	2,184
Investment Estate Smoothing Reserve	466	466	466	466
Land Charges Fees Reserve	244	194	144	144
Total	**31,862**	**38,768**	**24,628**	**14,024**

4.32. Business Rates reserve – This reserve helps manage annual fluctuations in business rates reliefs awarded and the section 31 grants which compensate, as the two fall in different financial years. It is held to cover the risk that there will be a full business rates reset in the next parliament which would result in the loss of the benefit of growth built up since 2013/14, that the 100% business rates retention pilot will end after 2023/24 and to help mitigate the impact of the economic down turn on business rates income.

4.33. Airport Dividend Reserve – The dividend income is used in arrears to manage volatility in potential dividend receipts. It is unlikely that the dividend will return during the MTFP period and £24.9m of the remaining reserve of £39m, is supporting the 2022/23 revenue budget as planned, leaving a balance of £14.2m which has been applied across 2023/25.

4.34. Planning reserve – This is held to smooth the potential volatility of planning income relating across years. The Planning Fee reserve has grown since

2022/23, with the increase in planning fees which have to be used for a related purpose. This will be used to provide the capacity required (both in terms of staffing and specific studies required) to develop the Local Plan.

4.35. Investment Estate smoothing reserve - This reserve was created to manage risks due to the volatility in investment income, particularly with an economic downturn.

Insurance Fund

4.36. The Council has taken a decision to self-insure against specific risks such as property insurance (for properties where the reinstatement value is less than £300k), and contributes towards the policy excesses on Liability, Crime, Medical Malpractice, Motor, Property policies, where the service meets a proportion of the excess, and the balance is met from the insurance fund. The level of reserve required is assessed by an actuary every five years. The fund stands at £20.1m

Statutory reserves

4.37. The Council maintains reserves where the use of these monies is defined in statute such as the Bus Lane and Parking Reserves. The statutory reserves are set out below:

Table six: Statutory Reserves Summary

	Forecast Closing Balance			
Statutory reserves	**Mar-23**	**Mar-24**	**Mar-25**	**Mar-26**
	£000	**£000**	**£000**	**£000**
Bus Lane Enforcement Reserve	6,458	4,666	2,874	1,082
On Street Parking	6,364	4,360	2,378	2,342
Ancoats Square Reserve	2,467	2,236	2,005	1,892
Taxi Licensing Reserve	1,012	1,012	1,012	1,012
Spinningfields Commuted Sum	629	620	611	611
St Johns Gardens Contingency	955	905	855	855
New Smithfield Market	441	441	441	441
Great Northern Square Maintenance Fund	269	269	269	269
Art Fund Reserve	31	31	31	31
Manchester Move Reserve	210	210	210	210
Manchester Safeguarding	191	191	191	191
Hulme High Street	283	283	283	283
West Gorton Park Reserve	170	170	170	170
Total	**19,480**	**15,394**	**11,330**	**9,389**

4.38. Bus Lane Enforcement Reserve – This is a ring-fenced reserve which can only be applied to specific transport and highways related activity. Use of this income is set out in legislation, the details are:

- Any deficit associated with bus lane enforcement in the four years proceeding.
- Costs incurred by the authority for the operation of public passenger transport service
- A highway improvement project

4.39. On Street Parking Reserve – This is also a ring-fenced reserve which can only be applied to specific transport and highways related activity. Enforcement legislation restricts what the income from decriminalisation of parking income can be used for specific, and the details are:

- Costs incurred by the authority for the operation of public passenger transport service
- A highway or road improvement project
- Environmental improvement

4.40. There is an updated 5-year strategy for both the Bus Lane Enforcement and On Street Parking reserves. The planned use to support the revenue budget and capital commitments will considerably reduce the balance on these reserves. The commitments include:

- Ongoing contribution to environmental improvements within Neighborhood Services of £3.5m a year
- Ongoing contribution to Metroshuttle at £0.9m a year
- Support for the car park income shortfall at £2.1m per annum (in advance of rebasing the Parking Strategy), to be reviewed each year.
- Funding for school crossing patrols (£386k a year) and/or associated capital investment to reduce their need.
- Contribute towards the costs of the Transport Levy which includes:
    - Continuation of £4.1m a year agreed in previous years
    - Increased contribution of £2.3m from excess surpluses. This is included in the proposed savings.
    - £1m from 2024/25 increasing to £2m 2025/26 funded through forecast income from moving Traffic offences. This is also included in the proposed savings.

4.41. Ancoats Square Reserve – This is a commuted sum that has been received from the Homes and Communities Agency to fund maintenance in future years. The maintenance is for a period of at least 25 years.

4.42. Taxi Licensing Reserve - This is a smoothing reserve to equalise the income and expenditure of running the function over financial years. The income is ring-fenced by statute.

4.43. St. Johns Gardens Contingency– is a funded by contribution from St Johns Gardens Tenants for Maintenance works.

Reserves Held for PFI's

4.44. There are two general fund PFI reserves, set up to cover additional costs arising on the PFI contracts over the lifetime of the contracts. The balances held for PFI's reserves are set out below:

Table seven: PFI Reserves Summary

Reserves held for PFI's	Closing Balance 31/03/2023	Closing Balance 31/03/2024	Closing Balance 31/03/2025	Closing Balance 31/03/2026
	£000	£000	£000	£000
Temple PFI	392	371	283	0
Wright Robinson PFI Reserve	1,437	1,473	1,368	1,105
Total	**1,829**	**1,844**	**1,651**	**1,105**

4.45. There are 2 Schools PFI reserves, Wright Robinson PFI and Temple PFI which were established to support the costs of these PFIs over the 25 years of the contracts when expenditure exceeds grant income. There is a further PFI reserve of £255k relating to street lighting which is due to be fully utilised in 2022/23.

Reserves held for accounting purposes

4.46. All grants and contributions used over more than one financial year must be held on the balance sheet until required. The reserves position of local authorities has been significantly distorted by the use of the business rates S31 grants. The Grants and contributions to be used over 1 year are set out below:

Table eight: Reserves held for Accounting Purposes Summary

Reserves held for accounting purposes	Closing Balance 31/03/2023	Closing Balance 31/03/2024	Closing Balance 31/03/2025	Closing Balance 31/03/2026
	£000	£000	£000	£000
Business Rates - COVID-19	7,166	0	0	0
MAES Reserve	1,359	910	910	910
Children's Services Reserve	3,402	605	0	0
Collection Initiatives Reserve	3,489	2,712	1,712	1,712
English Partnership (Homes and Communities Agency)	569	479	479	479

Reserves held for accounting purposes	Closing Balance 31/03/2023	Closing Balance 31/03/2024	Closing Balance 31/03/2025	Closing Balance 31/03/2026
	£000	£000	£000	£000
Other Grants and Contributions - Neighbourhood Services	619	619	619	619
Other Grants and Contributions- Growth and Development	199	199	199	199
Fraud Fund	136	68	0	0
Deprivation of Liberty Grant	149	0	0	0
Asylum Seekers	359	267	267	0
Flood management reserve	37	0	0	0
Dept for Transport Grants Reserve	33	33	33	33
Afghan Families	1,000	0	0	0
Ukrainian Families	1,000	0	0	0
Local Authority Housing fund	980	0	0	0
Total	**20,497**	**5,892**	**4,219**	**3,952**

4.47. The Covid Grants reserves include:

- Business Rates COVID 19 - grants relate to Extended Retail Relief (ERR) and COVID Additional Relief Fund (CARF) which offered support to businesses through the pandemic will be fully applied to offset collection fund losses in 2022/23. The Tax Income Grant, which reimbursed authorities for 75% of irrecoverable losses relating to 2020/21, will be fully applied by 2023/24.
- Contain Outbreak Management Fund (COVID-19) – these balances have been fully applied in 2022/23.

Grants and Contributions used over more than one year

4.48. MAES Reserve - This reserve is to support Manchester Adult Education Services as funding requirements are aligned to academic years rather than financial years.

4.49. Children's Services Reserve – grants and contributions to fund key initiatives in Children’s Social Care over the MTFP including;

- ‘Our Year’ - legacy commitments plan that span over the next two years, the proposal is to fund £250k per annum from the designated children’s reserve.
- Social Work Bursaries - to further develop Manchester’s financial commitment to the recruitment and retention of social workers, it proposed that a £30k per annum bursary is created to support and

encourage staff who have experience of working with children and their families seek a social work qualification via a Social Work Apprenticeship Scheme delivered by the Greater Manchester Social Work Academy. Drawn down on investment will phased over 2 years, £0.6m next year and a further £0.6m the year after.

4.50. Collections Initiative Reserve. Previous years underspends and one off grant funding, for example, new burdens funding for the various schemes administered by Revenues and Benefits, is held in this reserve – this will be utilised for to fund ongoing Resident and Welfare Support programmes.

Other Specific Reserves

4.51. There are a number of other reserves held for a specific earmarked purposes supporting council objectives and to invest in delivery capacity. For a number of these there are legal requirements to spend the money in a certain way. These other specific reserves are set out below:

Table nine: Other Specific Reserves Summary

Other Specific Reserves	**Closing Balance 31/03/2023**	**Closing Balance 31/03/2024**	**Closing Balance 31/03/2025**	**Closing Balance 31/03/2026**
	£000	**£000**	**£000**	**£000**
Making Manchester Fairer reserve	4,410	1,980	1,080	1,080
Fleet Maintenance Reserve	67	0	0	0
Cleopatra Reserve	250	120	0	0
Newton Heath Market Reserve	22	22	22	22
Landlord Licensing Reserve	100	200	300	300
Selective Licensing reserve	4	121	669	669
Pension Risk Fund	518	518	518	518
Nuclear Free Zone	43	38	33	33
Carbon Reduction Reserve	684	284	79	79
End User Device Reserve	1,030	1,545	60	575
Councils with ALMOs Group (CWAG) Reserve	82	0	0	0
Graves and Memorials	97	97	97	97
Trading Standards Reserve	93	57	21	21
Housing Compliance Reserve (Fixed Penalty Notices)	505	423	341	341
Community Safety Reserve	445	345	245	145
Litter Reserve (Fixed Penalty Notices)	132	132	132	132
Great Ancoats Management Improvement Reserve	192	172	152	152
Social Value Fund	52	2	2	42

Other Specific Reserves	Closing Balance 31/03/2023	Closing Balance 31/03/2024	Closing Balance 31/03/2025	Closing Balance 31/03/2026
Total	**8,726**	**6,056**	**3,751**	**4,205**

General Fund

4.52. The only unallocated reserve is the General Fund Reserve, expected to be £23.4m at the end of 2022/23. This is held to meet costs arising from unplanned events, it also acts as a buffer to help mitigate against the financial risks the Council faces and may be used to smooth general expenditure across years as required.

Appendix 5a – Reserve Forecast 2023-26

	Forecast Closing Balance						
	Forecast Closing Balance Mar-23	Withdraw	Addition	Mar-24	Mar-25	Mar-26	Purpose
	£000	£000	£000	£000	£000	£000	
Schools Reserve	**14,000**	0	0	**14,000**	**14,000**	**14,000**	
General Fund Reserves							
Statutory Reserves	**19,480**	(13,436)	9,350	**15,394**	**11,330**	**9,389**	
Earmarked Reserves	**301,188**	(65,232)	26,198	**262,154**	**198,640**	**138,183**	
General Fund Reserve	**23,527**	0	0	**23,527**	**23,527**	**23,527**	
Total General Fund	**344,195**	**(78,668)**	**35,548**	**301,075**	**233,497**	**171,099**	
Housing Revenue Account Reserves:							
Housing Revenue Account General Reserve	**58,950**	(21,654)	0	**37,296**	**11,542**	**10,037**	
Major Repairs Reserve	**4,173**	0	0	**4,173**	**4,173**	**4,173**	
HRA PFI reserve	**10,000**	0	0	**10,000**	**10,000**	**10,000**	
HRA Residual liabilities fund	**24,000**	0	0	**24,000**	**24,000**	**24,000**	
Housing Insurance reserve	**2,500**	0	0	**2,500**	**2,500**	**2,500**	
Total HRA	**99,624**	**(21,654)**	**0**	**77,970**	**52,216**	**50,711**	
TOTAL RESERVES	**457,820**	**(100,322)**	**35,548**	**393,045**	**299,714**	**235,811**	
SCHOOLS RESERVE							
LMS Reserve	**14,000**	0	0	**14,000**	**14,000**	**14,000**	School balances assumed year-end position. These are not Council resources and so cannot be used by MCC.
Sub Total Schools	**14,000**	**0**	**0**	**14,000**	**14,000**	**14,000**	
STATUTORY RESERVES							

	Forecast Closing Balance						
	Forecast Closing Balance Mar-23	Withdraw	Addition	Mar-24	Mar-25	Mar-26	Purpose
	£000	£000	£000	£000	£000	£000	
Bus Lane Enforcement Reserve	**6,458**	(4,992)	3,200	**4,666**	**2,874**	**1,082**	Ring-fenced reserve which can only be applied to specific transport, environmental and highways related activity.
On Street Parking	**6,364**	(8,154)	6,150	**4,360**	**2,378**	**2,342**	Ring-fenced reserve which can only be applied to specific transport and highways related activity.
Ancoats Square Reserve	**2,467**	(231)	0	**2,236**	**2,005**	**1,892**	Received from the Homes and Communities Agency to cover the revenue costs of maintaining Ancoats Square for a period of at least 25 years.
Taxi Licensing Reserve	**1,012**	0	0	**1,012**	**1,012**	**1,012**	This is a smoothing reserve to equalise the income and expenditure of running the function over financial years. Income ring-fenced by statute.
Spinningfields Commuted Sum	**629**	(9)	0	**620**	**611**	**611**	Funds received as part of an agreement to cover maintenance costs.
St Johns Gardens Contingency	**955**	(50)	0	**905**	**855**	**855**	Contribution from St Johns Gardens tenants for maintenance works
New Smithfield Market	**441**	0	0	**441**	**441**	**441**	To contribute towards funding the development plans for the market
Great Northern Square Maintenance Fund	**269**	0	0	**269**	**269**	**269**	Set up in accordance with the agreement with the developers of the site. It will be used for upgrading of the square.
Art Fund Reserve	**31**	0	0	**31**	**31**	**31**	For art purchases
Manchester Move Reserve	**210**	0	0	**210**	**210**	**210**	To managed waiting list for Registered Providers
Manchester Safeguarding	**191**	0	0	**191**	**191**	**191**	Children's Safeguarding Board activity. The Board is a joint responsibility with MCC & CCG
Hulme High Street	**283**	0	0	**283**	**283**	**283**	Historic service charge levied by Hulme High Street Ltd
West Gorton Park Reserve	**170**	0	0	**170**	**170**	**170**	For spend on play equipment over the next 10 - 15 years
TOTAL	**19,480**	**(13,436)**	**9,350**	**15,394**	**11,330**	**9,389**	

	Forecast Closing Balance						
	Forecast Closing Balance Mar-23	**Withdraw**	**Addition**	**Mar-24**	**Mar-25**	**Mar-26**	**Purpose**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	
EARMARKED RESERVES							
BALANCES HELD FOR PFI'S							
Street Lighting PFI	**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	**392**	(29)	8	**371**	**283**	**0**	Established to fund the requirements of the PFI scheme over 25 years
Wright Robinson PFI Reserve	**1,437**	(4)	40	**1,473**	**1,368**	**1,105**	PFI Scheme 25 year contract drawdown will be in future years as expenditure exceeds grant.
TOTAL	**1,829**	**(33)**	**48**	**1,844**	**1,651**	**1,105**	
MANAGING ECONOMIC AND COMMERCIAL RISKS							
Business Rates Reserve	**13,816**	(490)	8,999	**22,325**	**21,835**	**11,231**	To mitigate Business Rates income risk due to the volatility of assumptions
Airport Dividend reserve	**14,189**	(1,073)	0	**13,116**	**0**	**0**	The income in the reserve is from the Manchester airport dividend which is then used in arrears to support the Medium Term Financial Plan
Planning Reserve	**3,148**	(480)	0	**2,668**	**2,184**	**2,184**	Used to smooth the volatility of planning fee income to avoid budget pressures if fee income reduces
Investment Estate smoothing reserve	**466**	0	0	**466**	**466**	**466**	To manage budget pressures due to the volatility in investment income.
Land Charges Fees Reserve	**244**	(50)	0	**194**	**144**	**144**	To smooth the budget impact, planned to utilise in 2020/21
TOTAL	**31,862**	**(2,093)**	**8,999**	**38,768**	**24,628**	**14,024**	
INSURANCE FUND							
Insurance Fund	**17,335**	(500)	0	**16,835**	**16,335**	**16,335**	The insurance fund has been established to fund risks that are self insured.
RESERVES THAT WILL BE UTILISED TO SUPPORT THE DELIVERY, FINANCING AND RISK OF THE CAPITAL STRATEGY							

	Forecast Closing Balance						
	Forecast Closing Balance Mar-23	Withdraw	Addition	Mar-24	Mar-25	Mar-26	Purpose
	£000	£000	£000	£000	£000	£000	
Capital Fund Reserve	**81,875**	(20,112)	10,717	**72,480**	**47,880**	**23,038**	Contribution to schemes which are supporting employment and growth, future carbon reduction investments and high priority strategic development opportunities in the city. Acts as a buffer for the capital financing reserve if required
Capital Financing Reserve	**34,730**	0	0	**34,730**	**34,730**	**34,730**	Capital Financing Reserve: Held to fund expected future increases in borrowing costs linked to the Council's capital investment programme and significant level of internal borrowing. The reserve will be used to mitigate the impact on the revenue budget of increased borrowing levels in the future.
Investment Reserve	**8,888**	(2,189)	0	**6,699**	**4,470**	**2,576**	To deliver priority regeneration projects.
Town Hall Reserve	**8,502**	(3,124)	0	**5,378**	**1,951**	**1,951**	To fund commitments for the Town Hall Complex Programme
Enterprise zone reserve	**2,558**	(99)	500	**2,959**	**3,357**	**3,750**	To underwrite the borrowing costs for development in the Oxford Road Corridor
Manchester International Festival	**9,173**	(1,250)	0	**7,923**	**6,923**	**6,123**	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	**7**	(4,389)	5,137	**755**	**1,823**	**823**	This reserve reflects the contribution from Manchester City Football Club and will be used for various projects including English Institute of Sport.
Highways Commuted Sum	**4,305**	(89)	0	**4,216**	**4,127**	**4,038**	Contributions towards future maintenance
TOTAL	**150,037**	**(31,252)**	**16,354**	**135,139**	**105,260**	**77,028**	
RESERVES HELD TO SUPPORT DELIVERY AND RISK IN THE MTFP							
Budget smoothing reserve	**48,731**	(2,300)	0	**46,431**	**36,908**	**17,758**	Planned use to smooth the impact of budget shortfalls whilst savings are developed and implemented.

	Forecast Closing Balance						
	Forecast Closing Balance Mar-23	Withdraw	Addition	Mar-24	Mar-25	Mar-26	Purpose
	£000	£000	£000	£000	£000	£000	
Integration Reserve	**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.
Transformation Reserve	**8,609**	(1,833)	0	**6,776**	**5,276**	**3,776**	Includes £1.5m a year for three years to fund the revenue costs of the ERP project. A balance is held to support future change programmes and the budget impact of any VER/VS costs.
Supporting Families Reserve	**2,439**	(800)	0	**1,639**	**439**	**0**	To support the Thriving Families initiative, a whole family, strengths-based approach to child protection.
Clean City	**0**	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.
St. John's Growth Zone	**1,156**	(1,156)	0	**0**	**0**	**0**	Growth in business rates income in the St Johns footprint, used to support budget
Our Manchester reserve	**389**	(237)	0	**152**	**0**	**0**	Additional investment made available as part of the 2017-2020 budget process to drive forward the delivery of Our Manchester initiatives
Adult Social Care	**7,633**	(5,010)	0	**2,623**	**174**	**0**	To support Adult and Social Care Improvement Plan
Children's Social Care Reserve	**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
Homelessness Reserve	**1,946**	(1,946)	0	**0**	**0**	**0**	To offset potential increases in need / demand
TOTAL	**70,903**	**(13,282)**	**0**	**57,621**	**42,797**	**21,534**	
RESERVES HELD FOR ACCOUNTING PURPOSES							
Business Rates - COVID-19	**7,166**	(7,166)	0	**0**	**0**	**0**	Business rates relief provided over the pandemic and funded by Government. Applied to offset Collection Fund deficit in arrears.

	Forecast Closing Balance						
	Forecast Closing Balance Mar-23	Withdraw	Addition	Mar-24	Mar-25	Mar-26	Purpose
	£000	£000	£000	£000	£000	£000	
Contain Outbreak Management Fund (COVID-19)	**0**	0	0	**0**	**0**	**0**	The government made payments to Local Authorities from the Contain Outbreak Management Fund to support proactive containment and intervention measures
MAES Reserve	**1,359**	(449)	0	**910**	**910**	**910**	To fund Manchester Adult Education Services (MAES)
Children's Services Reserve	**3,402**	(2,797)	0	**605**	**0**	**0**	Various Children's grants being used over more then one year
Collection Initiatives Reserve	**3,489**	(777)	0	**2,712**	**1,712**	**1,712**	Previous years underspends and one-off grant funding, to be fund ongoing Resident and Welfare Support programmes.
English Partnership (Homes and Communities Agency)	**569**	(90)	0	**479**	**479**	**479**	HCA approval required to Fund Development appraisal and Eastland's Project team
Other Grants and Contributions - Neighbourhood Services	**619**	0	0	**619**	**619**	**619**	Various local Environment scheme and initiatives i.e. 'clean up campaigns'
Other Grants and Contributions- Growth and Development	**199**	0	0	**199**	**199**	**199**	Unspent grants received in previous year
Fraud Fund	**136**	(68)	0	**68**	**0**	**0**	Unspent grant received in previous year
Deprivation of Liberty Grant	**149**	(149)	0	**0**	**0**	**0**	Unspent grant received in previous year
Asylum Seekers	**359**	(92)	0	**267**	**267**	**0**	This will fund the Local Authority Asylum Support Officer (LAASLO) project.
Flood management reserve	**37**	(37)	0	**0**	**0**	**0**	Unspent grant received in previous year
Department for Transport Grants Reserve	**33**	0	0	**33**	**33**	**33**	Unspent grant received in previous year
Afghan Families	**1,000**	(1,000)	0	**0**	**0**	**0**	Unspent grant funding for Afghan families in the city to provide support and temporary accommodation until a permanent offer is identified. This will be applied in 2023/24
Ukrainian Families	**1,000**	(1,000)	0	**0**	**0**	**0**	Unspent grant funding for Ukrainian families placed in sponsor homes. This provides support for a 12 month period from arrival date and will be applied in 2023/24

	Forecast Closing Balance						
	Forecast Closing Balance Mar-23	Withdraw	Addition	Mar-24	Mar-25	Mar-26	Purpose
	£000	£000	£000	£000	£000	£000	
Local Authority Housing fund	**980**	(980)	0	**0**	**0**	**0**	Unspent grants funding to provide housing and accommodation to Afghan and Ukrainian families currently supported with temporary accommodation arrangement. This will be applied in 2023/24
TOTAL	**20,497**	**(14,605)**	**0**	**5,892**	**4,219**	**3,952**	
OTHER SPECIFIC RESERVES	**0**			**0**			
Making Manchester Fairer	**4,410**	(2,430)	0	**1,980**	**1,080**	**1,080**	Funding for Making Manchester Fairer including kickstarter schemes
Fleet Maintenance Reserve	**67**	(92)	25	**0**	**0**	**0**	Reserve created for smoothing the impact of vehicle repair and maintenance costs.
Cleopatra Reserve	**250**	(130)	0	**120**	**0**	**0**	Balance to support legal costs relating to the CSE review programme
Newton Heath Market Reserve	**22**	0	0	**22**	**22**	**22**	To fund the future market provision
Landlord Licensing Reserve	**100**	0	100	**200**	**300**	**300**	This reserve holds the funding for investigation into poor property conditions in the private rented sector in Manchester with the purpose of improving housing conditions for tenants by enforcing compliance with statutory regulations and standards.
Selective Licensing reserve	**4**	0	117	**121**	**669**	**669**	Costs for administering the reputable landlord initiative and ensure compliance
Pension Risk Fund	**518**	0	0	**518**	**518**	**518**	To fund external pension liabilities
Nuclear Free Zone	**43**	(5)	0	**38**	**33**	**33**	General reserve/ GM contributions. At the end of the year any surplus/deficit is adjusted in the reserve
Carbon Reduction Reserve	**684**	(400)	0	**284**	**79**	**79**	To fund revenue initiatives which support the target for Manchester to become a zero carbon city by 2038 atb the latest and specifically, to support the delivery of the Council's 2020-25 Action Plan
End User Device Reserve	**1,030**	0	515	**1,545**	**60**	**575**	To support ongoing ICT replacement programme.

	Forecast Closing Balance						
	Forecast Closing Balance Mar-23	**Withdraw**	**Addition**	**Mar-24**	**Mar-25**	**Mar-26**	**Purpose**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	
Councils with ALMOs Group (CWAG) Reserve	**82**	(82)	0	**0**	**0**	**0**	Held in relation to the running costs of the Council With ALMOs Group which is administered by MCC
Graves and Memorials	**97**	0	0	**97**	**97**	**97**	Money held in trust for repair and development costs for gravestones
Trading Standards Reserve	**93**	(36)	0	**57**	**21**	**21**	Specific grants such as Tobacco control, control of migration etc.
Housing Compliance Reserve (Fixed Penalty Notices)	**505**	(82)	0	**423**	**341**	**341**	Revenue collected from enforcement activity is ring-fenced to functions related to Housing Compliance.
Community Safety Reserve	**445**	(100)	0	**345**	**245**	**145**	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)	**132**	0	0	**132**	**132**	**132**	Under Government regulations reserve is ringfenced to a small number of specific projects.
Great Ancoats Management Improvement Reserve	**192**	(20)	0	**172**	**152**	**152**	Specific reserve for use within defined areas within Great Ancoats. Spending plans still under discussion.
Social Value Fund	**52**	(90)	40	**2**	**2**	**42**	Reserve for Social Funding income from successful tenders
TOTAL	**8,726**	**(3,467)**	**797**	**6,056**	**3,751**	**4,205**	
TOTAL EARMARKED RESERVES	**301,188**	**(65,232)**	**26,198**	**262,154**	**198,640**	**138,183**	
Grand Total General Fund Reserves	**358,195**	**(78,668)**	**35,548**	**315,075**	**247,497**	**185,099**	

Executive 15 February 2023
Medium Term Financial Strategy and 2023/24 Revenue Budget
Appendix 6: Sales, Fees and Charges – Budget 2023/24

Summary

The Council raises almost £120m per annum of income through sales, fees and charges for services provided to residents, businesses and visitors to the City. The charges make an important contribution to the financial stability and sustainability of the Council. This report updates on the current year's sales fees and charges budget, and advise of proposed changes to be considered as part of the 2023/24 budget process. In setting the level and rates charged for sales fees and charges the current economic and inflationary environment has been considered alongside the impact on residents and service users.

1. Introduction and purpose

1.1 The Local Government Act 2003 provides Local Authorities with the power to charge for some goods and services that can be used to promote or improve local economic wellbeing.

1.2 Income generation forms a significant part of the overall funding of the Council's budget with any income generated being used to support the delivery of front-line services.

1.3 Local Authorities do not always have the ability to control the level of fees that can be charged, and in some cases the ability to use any income generated is restricted and ring fenced to specific purposes, which is often prescribed by legislation. Examples of this include Planning fees, where the fee level is set by Government, and the use of any additional planning fee income is restricted to supporting the planning function.

2. Sales, Fees, and Charges Overview.

2.1 The current economic climate and the high rate of inflation means that the cost of delivering services is increasing, making it important that charges are reviewed to ensure the costs of delivery are recovered, and that there is no cross subsidy from other parts of the Council.

2.2 As part of the review of sales, fees and charges, discussions have been held with heads of service around the impact of any increase, including the impact on residents and other service users, alongside the wider impact of any changes on the service.

2.3 The table below sets out the high level overview of the sales fees and charges budgets for both 2022/23 and the proposed budgets for 2023/24.

Service Area	2022/23 Budget £000's	2022/23 Forecast £000's	Proposed 2023/24 Budgets £000's
Neighbourhood Services	53,712	50,346	52,678
Growth & Development	30,436	31,114	31,366
Corporate Core	32,663	31,863	32,869
Total	**116,811**	**113,323**	**116,913**

Current Financial Year

2.4 Neighbourhood Services are forecasting a budget shortfall in 2022/23 of c£3.4m, primarily down to a £1.9m shortfall from off street car parks, as activity remains below pre covid levels; market income, due to the reduced scale of Christmas markets and reduced footfall across other retail markets resulting in a reduced number of stall holders.

2.5 Growth and Development are overachieving their income budget on the investment estate, due to a combination of increased rents following rent reviews, increased income from the Arndale Centre and the settlement of outstanding prior year income from Wythenshawe Town Centre following the recent purchase.

2.6 Corporate Core are forecasting a shortfall of c£0.8m against a total budget of £32.6m. The main contributions towards the shortfall are £1.1m reduced bus lane income from penalty charge notices, whilst the reduction does not directly impact on the revenue account as any surplus must be transferred to a ringfenced reserve, it does reduce resources available to support transport in future years, £398k reduced court summons fees and a £296k shortfall in legal income, these are offset by £200k additional registrars' income, £230k higher than forecast capital programme fee income and £0.686m higher than forecast decriminalised parking income.

2023/24 Budget

2.7 As part of reviewing future years sales, fees and charges budgets there are a number of factors to consider, including: -

- Budget adjustments already approved as part of prior years' budgets
- Other adjustments proposed as part of the current year's budget options
- Contractual price increases.
- Proposed price increases as part of this overall review

Appendix 1 summarises the detailed review of all the income budgets and the proposed changes to budgets reflecting the above factors.

Approved Budget Adjustments

2.8 As part of the 2021/22 budget process, total savings of £427k were approved as part of the Parks and Open spaces commercial strategy. The savings were phased over 4 financial years 2021/22 – 2024/25. The savings are to be achieved through increased income following ongoing investment to improve parks assets and increase commercial opportunities as part of the parks development programme.

Other Adjustments

2.9 Grounds Maintenance undertake work on behalf of both internal departments and external customers, the main external customer was formerly Northwards Housing and since bringing this back in house the income budget has been amended and classified as an internal charge.

2.10 Libraries and Galleries have seen a reduction in income post pandemic, incorporating the policy decisions to help support residents, including not charging fines for the late return of books. This has reduced overall income which the service has sought to address through the realignment of income budgets through a £70k adjustment of the supplies and services budgets.

2.10 Off Street Car Parking was brought in house in January 2020 and following Covid-19 the volume of car park users has not recovered to Pre-Covid levels. Usage has increased since August 2022, but season ticket sales have not recovered. New parking tariffs were introduced in December 2022, and these better reflect the new parking behaviours and the shift away from season tickets sales, this includes revised early bird options, particularly around times that enables commuters more flexibility. Despite this it is forecast that overall income will not return to pre Covid levels and an adjustment is to be made the overall income budget, this is through bringing together both on street and off street parking and making a lower contribution to reserves.

2.11 As part of the current budget options it is proposed to extend the pay and display parking arrangements in parks, and this is forecast to realise additional income of £87k that is reflected as part of the savings options.

Contractual Price Increases

2.11 The contractual price increases occur when a procurement exercise has taken place and there are conditions within the contract around annual price increases.

2.12 There are two main advertising contracts. One is subject to an inflationary increase effective from August 2023, whilst the other contract is subject to an inflationary increase capped at 2.65% effective from October 2023. For the purposes of assessing the impact and potential price increase inflation is assumed to be at 8% in July 2023. The overall contractual price increase is forecast to be c£426k in 2023/24.

2.13 As part of the arrangement with Manchester City FC the stadium rental agreement is subject to an annual inflationary increase although this is capped at 5%. The forecast increased income (£174k) will be ringfenced as part of the waterfall account and recycled to support investment in the leisure infrastructure and agreed with Sport England.

2.14 Growth & Development receives a proportion of annual rental income from Manchester Airport Group. An element of the income related to performance of the trading operations. Based on estimates provided by the Airport, additional income of £1.615m income has been built into the budget over the next three-year period, with c£0.93m being included for 2023/24 as part of the current budget proposals.

2.15 Legal services provide shared services to both Salford and Rochdale Councils and as part of the agreement there is provision for an inflationary uplift to cover any annual salary increases. The forecast amount in 2023/24 is £229k, and this will offset the costs of any pay rise and reduce the call on the City Council inflationary provision.

Proposed Price Increases

2.16 In order to ensure that any traded services are fully recovering their costs and not being subsidised by taxpayers it is important that the prices for external customers are reviewed annually. It should be noted that not all prices can be increased, and there may be a number of reasons for this including:-

- Prices are set by third parties, and not able to be changed by Local Authorities, e.g. planning fees
- Prices are used as a basis for cost recovery and therefore may not need to be uplifted by inflation, e.g. service charges
- Charges are cost recovery and have to be balanced over a multi year cycle – e.g. taxi licensing fees.

2.17 The total budget implication of price increases across all services are c£0.455m, and this is made up as follows:-

- Waste - £10k from a 10% inflationary uplift on admin charges for waste bins and waste collection services.
- The Compliance Service are to adjust applicable charges by 6%, this will realise c£16k. The majority of the compliance income is fixed, in particular the fixed penalty notice charges.
- Pest control are to increase charges by 10% and the additional £59k income is reflected within the current budget proposals as part of the savings options and reflect increased costs of delivery.
- Fleet services provide mainly internal services for other city council directorates, the small inflationary increase of £4k is for external customers.
- Bereavement Services operate as a traded service and are experiencing inflationary pressures due to both increased costs of supplies and also pay award costs that are forecast to be around 6% in 2023/24, it is proposed to increase costs by 6% in order to cover inflationary increases on expenditure.
- Highways services are proposing to increase external fees by 11% and the additional £140k is included as part of the wider budget papers.

3. Future opportunities and Risks

3.1 The inflationary increases have been considered as part of the budget process, but there is a risk that increased charges could have an adverse impact on the overall income if usage and customers reduce due to the higher prices.

3.2 The income budgets are monitored throughout the financial year to highlight any emerging risks or shortfalls against budgets so mitigating actions can take place.

Service Area	2022/23 Budget £000's	22/23 Forecast £000's	Approved Budget Adjustments £000's	Other Adjustments £000's	Contractual Price Increases £000's	Proposed Price Increases £000's	Proposed 2023/24 Budget £000's	Further Narrative
Advertising	4,590	4,590	0	0	426	0	5,016	Two separate contracts both subject to contractual inflationary increases
Grounds Maintenance	106	47	0	(106)	0	0	0	Formerly charges for services to Northwards, now operational housing therefore internal charges
Waste	104	147	0	0	0	10	114	Increase to administration charges
Parks & Open Spaces	1,813	1,813	100	87	0	0	2,000	Proposed increase to pay and display hours of operation.
Leisure & Sport Development	8,360	8,187	0	0	174	0	8,534	Waterfall is subject to inflationary uplift capped at 5%, effective July 2023 - will be ringfenced via reserve .
Libraries, Galleries & Culture	850	687	0	(70)	0	0	780	Adjustments to reflect reduced income targets following policy decisions to remove charges
Neighbourhood Teams	172	172	0	0	0	0	172	Estate service charge – charges based on cost recovery of actual costs
Compliance	2,014	2,045	0	0	0	16	2,030	Most income charges are in respect of FPN's and fixed, small inflationary increase applied.
Pest Control	632	688	0	0	0	59	691	Inflationary increase applied as part of budget proposals
Manchester Markets	11,595	9,737	0	0	0	0	11,595	
Fleet Services	1,352	1,393	0	0	0	4	1,356	
Bereavement Services	3,722	3,966	0	0	0	226	3,948	Applied 6% inflationary increase to cover increased costs.
Off Street Parking	14,798	12,898	0	(2,100)	0	0	12,698	Parking charges revised and implemented from December 2022, adjustment made to reflect reduced income post pandemic.
Highways	2,961	3,332	0	0	0	140	3,101	External fees increased by 11% in line with inflation
CCTV	22	23	0	0	0	0	22	
Housing Operations	621	621	0	0	0	0	621	Mainly service charges recovered based on actual costs.
Grand Total	**53,712**	**50,346**	**100**	**(2,189)**	**600**	**455**	**52,678**	

Service Area	2022/23 Budget £000's	2022/23 Forecast £000's	Approved Budget Adjustments £000's	Other Adjustments £000's	Contractual Price Increases £000's	Proposed Price Increases £000's	Proposed 2023/24 Budget £000's	
Investment Estate	20,979	22,000	0	0	930	0	21,909	Rental income, work being done to develop schedule, to include scheduled rent reviews
Strategic Housing	1,441	1,441	0	0	0	0	1,441	
MAES (Manchester Adult Education Service)	12	12	0	0	0	0	12	
Planning	2,906	3,100	0	0	0	0	2,906	Fees set nationally
Building Control	1,096	852	0	0	0	0	1,096	Fees currently being reviewed by the service
Land Charges	274	232	0	0	0	0	274	Some fees will be transferring to Land Registry, the remainder of fees will be reassessed to ensure that the revised arrangements are cost neutral.
Premises Licensing	1,137	1,077	0	0	0	0	1,137	Fees currently being reviewed by the service
Taxi Licensing	2,591	2,400	0	0	0	0	2,591	Operate on a three year fee cycle and must breakeven
Grand Total	**30,436**	**31,114**	**0**	**0**	**930**	**0**	**31,366**	

Service Area	2022/23 Budget £000's	2022/23 Forecast £000's	Approved Budget Adjustments £000's	Other Adjustments £000's	Contractual Price Increases £000's	Proposed Price Increases £000's	Proposed 2023/24 Budget £000's	
CEX Corporate Items	40	0	0	0	0	0	40	
Human Resources	426	424	0	(23)	0	0	403	
Legal	5,698	5,402	0	0	229	0	5,927	External income for Legal services, increase is inflationary uplift for payawards
Communications	976	950	0	0	0	0	976	
Registrars	1,393	1,593	0	0	0	0	1,393	
Performance Research & Intelligence	48	61	0	0	0	0	48	
Policy	154	152	0	0	0	0	154	
Revenue & Benefits	3,242	2,844	0	0	0	0	3,242	
Finance	253	234	0	0	0	0	253	
Procurement	59	50	0	0	0	0	59	
Internal Audit	105	105	0	0	0	0	105	
Commercial Governance	101	89	0	0	0	0	101	
Capital Programmes	176	406	0	0	0	0	176	
Decriminalised Parking	13,473	14,159	0	0	0	0	13,473	On street parking requires change to traffic regulation order – income ringfenced for specific use
Bus Lane Enforcement	6,519	5,394	0	0	0	0	6,519	Income ringfenced for specific use
Grand Total	**32,663**	**31,863**	**0**	**(23)**	**229**	**0**	**32,869**	

Manchester City Council
Report for Information

Report to: Resources & Governance Scrutiny Committee – 7 February 2023
Executive – 15 February 2023

Subject: Corporate Core Budget 2023/24

Report of: Deputy Chief Executive and City Treasurer, City Solicitor and Assistant Chief Executive

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Summary

Members will recall that at the November round of scrutiny meetings the Council was forecasting an estimated budget shortfall of £112m over the three years with £44m in 2023/24. As part of the action to address the budget shortfall officers identified potential savings options of £42.3m over three years, of which there were savings options of £10.26m within the remit of this scrutiny committee, including Corporate Core savings of £6.024m and Traded Services savings of £4.236m

The provisional financial settlement announced 19 December reflected a change in government policy in relation to funding inflation and social care pressures. This has given the opportunity to review the quantum and phasing of savings. It is now proposed that options of £36.2m are progressed, of which £7.712m is within the remit of this scrutiny committee.

This report provides a further update to members on the priorities for the services in the remit of this committee and details the changes to the initial revenue budget options proposed by officers in November 2022.

Each scrutiny committee is invited to consider the current proposed changes which are within its remit and to make recommendations to the Executive before it agrees to the final budget proposals on 15 February 2023.

Recommendations

The Committee is recommended to:

(1) To consider and comment on the forecast medium term revenue budget
(2) Consider the content of this report and comment on the proposed changes which are relevant to the remit of this scrutiny committee

The Executive is recommended to approve these budget proposals.

Wards Affected: All

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

Equality, Diversity and Inclusion - the impact of the issues addressed in this report in meeting our Public Sector Equality Duty and broader equality commitments
Consideration has been given to how the proposed savings could impact on different protected or disadvantaged groups. Where applicable proposals will be subject to completion of an Equality Impact Assessment (EqIA) and an Anti-Poverty Assessment.

Manchester Strategy outcomes	**Summary of how this report aligns to the OMS/Contribution to the Strategy**
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	The effective use of resources underpins the Council's activities in support of its strategic priorities as set out in the Corporate Plan which is underpinned by the Our Manchester Strategy.
A highly skilled city: world class and home-grown talent sustaining the city's economic success	
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	
A liveable and low carbon city: a destination of choice to live, visit, work	
A connected city: world class infrastructure and connectivity to drive growth	

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

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

The changes included within this report will, subject to Member comments and consultation, be included in the final 2023/24 revenue budget set by Council on 3 March.

Financial Consequences – Capital

None directly arising from this report.

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Background documents (available for public inspection):

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

Revenue Budget Report - Executive Meeting 16 February 2022
Medium Term Financial Strategy 2022/23 to 2024/25 -Executive Meeting 16 February 2022
2022/23 Budget Overview and Section 25 Report – Executive 16 February 2022
Corporate Core Budget Report – 2022/23 – Executive 16 February 2022
Resource and Governance Scrutiny – 6 September 2022 and 10th January 2023
Revenue Monitoring to the end of July 2022 and Budget update 2023/24 to 2025/26 - Executive 14 September 2022

1. Introduction and purpose

1.1. The report sets out an overview of the services within the remit of this scrutiny committee and their key priorities. It also contains the updated cuts and savings and investment proposals following the overall changes to the Council's budget position following the Autumn Statement and Provisional Finance Settlement in December. It should be read with the covering budget report to this committee. This report covers the services under the remit of the scrutiny committee, the Corporate Core and Operations and Commissioning services within the Neighbourhood Services Directorate.

2. Service overview and priorities

2.1 The Corporate Core has the following functions:

- Delivery of front-line services to residents and businesses including the customer service, revenues and benefits, coroners and registrars
- Delivery of support services to both the council and partners through the centre of excellence model. These include Finance and Procurement, Human Resources and Organisational Development, Legal Services and Policy, Performance and Reform.
- Delivery and support of the Capital Programme through the Capital Programmes team.
- Corporate Landlord and Facilities Management (FM)
- Ensuring effective governance, decision making and supporting the council as a democratic organisation. This includes the specific work of internal audit, commercial governance.
- Engine room for driving policy and strategy and the associated evidence base.

2.2 The Corporate Core is made up of Chief Executives and Corporate Services and has a gross budget of c.£317m and a net budget of c£98.9m and employs just short of 2,000 FTE. The Business Units which are traded services within Neighbourhood Services also fall within the remit of this scrutiny committee and details of their budgets and savings options are included within this report. The budget and FTE numbers for both the Corporate Core and Business Units are broken down by service in area in the three tables below.

Base budget 2022/23

Chief Executives	2022/23 Gross budget £'000	2022 / 23 Net Budget £'000	2022 / 23 Budgeted posts (FTE)
Coroners & Registrars	3,767	2,374	50
Elections	1,247	1,118	11
Legal Services	15,742	10,088	267
Communications	4,426	3,441	78
Executive	980	980	12
Policy, Performance & Reform (PRI)	18,241	14,493	155
CEX Corporate Items	1,255	1,215	0
Total Chief Executives	**45,658**	**33,709**	**573**

Corporate Services	2022/23 Gross budget £'000	2022 / 23 Net Budget £'000	2022 / 23 Budgeted posts (FTE)
Finance, Procurement & Commercial Gov	9,090	8,191	219
Revenues & Benefits and Customer Services	213,096	12,955	531
ICT	15,596	15,596	158
Human Resources & OD	5,389	4,528	137
Audit, Risk & Resilience	1,641	1,468	39
Capital Prog, Operational Prop & FM Services	26,099	21,874	338
Total Corporate Services	**270,911**	**64,612**	**1,422**
Grand Total Corporate Core	**316,570**	**98,321**	**1,995**

The above budgets include:

- £3.6m discretionary welfare support budgets in Revenues and Benefits
- £2.9m grants to the Voluntary and Community sector in City Policy
- Operational Property and Facilities Management includes Utilities £9.2m, Business rates £2.9m, Security £2.8m and rents £1.6m
- £5.4m for ICT supplier contracts and licences
- Chief Executives Corporate items includes the AGMA contribution of £1.768m.

2.3 In addition to the Corporate Core, there are other services that are under the remit of the Resources and Governance Scrutiny Committee, these are traded services within Operations and Commissioning managed by the Neighbourhoods Directorate. The gross budget is £22.9m, with a net income budget of £13.7m and 126 employees. A breakdown of the services is shown below.

Business Units, Advertising and Parking	2022/23 Gross budget £'000	2022 / 23 Net Budget £'000	2022 / 23 Budgeted posts (FTE) £'000
Business Units	15,163	(2,253)	122
Advertising	63	(4,400)	1
Parking Services and CCTV	7,736	(7,074)	3
Total	**22,962**	**(13,727)**	**126**

2.4 These services aim to maximise the commercially generated income from services alongside the provision of a public amenity, with all funds raised recycled back into Council services and the assets used to deliver them.

2.5 The Business Units include key traded services:

- Markets – traditional, local, wholesale and specialist markets.
- Pest Control - tailored service for domestic and business premises to treat, monitor and eradicate pests.
- Bereavement Services - Manchester's five cemeteries and one crematorium (at Blackley) manage some 3,000 funerals a year, working seven days a week to meet the needs of the city's diverse cultural communities.

2.6 The Council sells advertising space on its land holdings across the city and this funding is used to support front line services. There are both small format and large format and includes the digital displays in and around the city centre.

2.7 Parking Services and CCTV directly support the transport strategy for the city and with the aim to keep the city's roads safe and moving. Work is ongoing to update the parking strategy and review of both on / off street pricing. The CCTV Service undertakes management of the city centre control room and the c.200 cameras across the public realm.

3 Service budget and proposed changes

3.1 In November this scrutiny committee was presented with cuts and savings options of £10.26m over the three years for consideration. With the improvement in the short-term budget position following the Autumn Statement and Provisional Finance Settlement there is the opportunity to review the quantum and phasing of cuts and savings and to consider targeted additional investment. Total proposed cuts and savings of £2.920m have been removed or deferred until later years and the key changes since the last committee are set out in the tables below:

Service	Narrative	2023/24 £000's	2024/25 £000's	2025/26 £000's	Total £000's
HROD	Reprofile front door savings by one year	(50)	(95)	0	(145)
PRI	Reprofile operating model savings by one year	(122)	(3)	(43)	(168)
Customer Services	Delay savings in line with system procurement timetable	0	(200)	(250)	(450)
Total Future Shape		**(172)**	**(298)**	**(293)**	**(763)**
Registrars	Increase registrars' fees	(80)	0	0	(80)
Customer services	Additional clamping income	(50)	0	0	(50)
Corporate Core Housekeeping Savings		**(130)**	**0**	**0**	**(130)**
Total Corporate Core Reductions		**(302)**	**(298)**	**(293)**	**(893)**

Service	Narrative	2023/24 £000's	2024/25 £000's	2025/26 £000's	Total £000's
Markets	Not introduce increased rents for market tenants	(83)	0	0	(83)
Parking	Do not increase income target for parking due to pressures following COVID	(250)	(750)	0	(1,000)
Advertising	Reduce advertising income target to prudent level.	0	(200)	0	(200)
Bereavements	Defer price increase due to cost-of-living crisis	(372)	(372)	372	(372)
Grand Total - Business Units		**(705)**	**(1,322)**	**372**	**(1,655)**

3.2 The revised core budget saving proposals will be delivered through a combination of:

- Transformation delivered through the Future Shape Programme.
- Review of workforce structures and capacity alongside taking a realistic view on the ability to fill longstanding vacancies.
- Good housekeeping and delivery of efficiencies. All Heads of Service have been asked to review their service areas to identify efficiencies or opportunities for income generation.
- Delivering a corporate programme of work on ensuring the basics are right, sound and competitive procurement, approach to managing inflation, ensuring income budgets are maximised and charges appropriate.

Apart from the changes to the original proposed savings outlined in the table in para 3.1, these remain unchanged from those previously reported to November Committee.

Future Shape and Transformation Programme

3.2 Previous reports have been taken to this committee on the Future Shape programme which is a mix of internal and external facing service transformation. The objectives are to ensure that the quality of our services, resident experiences and outcomes are improved, whilst improving council efficiency and reducing costs. This is being delivered through the following workstreams;

- Resident and Business Digital Customer Experience (RBDXP)
- Digital Data and Insights
- A More Purposeful and Effective Core
- Our Ways of Working – including estates rationalisation

The ambition is to deliver almost £5m of savings over a five-year period.

Resident and Business Digital Customer Experience (RBDXP)

3.3 Work has already started with the revised customer centre offer and experience which delivered £0.6m of savings in 2021/22. The next phase focuses on the customer contact centre and replacement of the Customer Relationship Management system. This will improve how the council interacts with residents and businesses and is key to improving the current manual processes, enabling further channel shift, and targeting resources on providing support where it is most needed.

- Work is ongoing to procure the new technology and a partner to support with implementing the changes required and it is expected that once complete, phase one will achieve a further 20% channel shift, by moving c295k of non-digital contacts to digital. This shift is expected to release an initial £200k from Customer Services in 2025/26 through a reduction in staffing which will be achieved via natural turnover. Further savings will be achieved in 2026/27 onwards and these are estimated to be c£450k p.a. and will be included as future savings options.

- Phase Two will deliver further saving/efficiencies as additional services outside of the customer contact centre are transitioned to the new digital platform such as those used by Markets and Bereavement Services as they move to the new software.

3.4 It is currently too early to accurately quantify total savings from this programme over both phases. The aim is to achieve up to £1.5m through the further rationalisation of systems as more services and systems are included. In order to deliver this a small core digital team will be required, and the costs were included in the initial business case and will be paid for through the longer-term savings.

Digital Data and Insights

3.5 This workstream will implement new back-office digital technology and process changes required for the council to work smarter and more efficiently. The key deliverables include:

- The MCC ICT and Digital Strategy has now been approved by Executive in October 2022 and compliments the Council's external Digital Strategy. It is accompanied by a Technology Roadmap linked to the move to the hybrid cloud, with 50% of the ICT infrastructure to be in the cloud within two years.
- The development and implementation of the new Target Operating Model for ICT is due to be completed for approval in December 2022 with an implementation timeline of March 2023.
- A Data Management Policy was launched 3 October 2022. The policy will support strengthening of our corporate intelligence, embed data ownership and monitoring of data standards and move towards more standardised reporting

3.6 The above is accompanied by a programme of savings and efficiencies including:

- Further rationalisation of printers across the estate
- Energy savings through putting unused machines to sleep
- Strict inventory control and reducing the number of mobile phones etc.
- Rationalisation of software applications where possible and hardware with the move to the cloud.

These proposals are estimated to achieve £359k p.a. by the end of the initial three-year period and a further £0.6m p.a. by the fifth year. The most significant benefits will come from the implementation of the new technology roadmap that underpins the ICT strategy:

- Phase 1 will include savings from the hybrid cloud strategy. There will also be savings from the rationalisation of existing systems such as the move away from Citrix and turning off legacy email systems.
- Phase 2 will include further system rationalisation including the replacement of the current recruitment solution, and Finance and HR Solutions
- Finally, linked to the work to further rationalise the council's office estate will enable ICT savings from having fewer premises on the network.

3.7 The roll out of automation is being tested in two areas. Whilst not primarily about delivering efficiencies, it will enable the workforce to operate more effectively and manage existing/growing workloads within the available resources.

A More Purposeful and Effective Core

3.8 This workstream will reshape how the Core operates so that core services, systems and processes are customer-focussed incorporating self-service and digital functions where appropriate, mirroring the RBDXP work for the council's workforce.

The key deliverables include:

- The implementation of the new operating model with the move to digital first. This will ensure we realise the benefits from the implementation of the technology investment including the replacement of the current ERP (Finance, HR and procurement) system, which is end of life, to be implemented by 2025, new recruitment system in the current financial year, legal case management system in 2023 and contract management system.
- Whilst all service areas are working on this the following areas have been accelerated: ICT service desk, HROD Recruitment process and Legal casework, all to be completed in 2023 with the aim is to improve productivity /reduce costs through channel shift and reducing handovers and failure demand.

3.9 In total both phases are expected to achieve savings of £1.112m per annum by the 2025/26, with a further £0.8m per annum by 2027/28.

Further Budget Savings and Efficiencies

3.10 As stated in the introduction to the report work has also been carried out to:

- Review workforce budgets and capacity, taking a realistic view on the ability to fill longstanding vacancies.
- All Heads of Service have been asked to review their service areas to identify efficiencies or opportunities for income generation.
- Delivering a corporate programme of work on ensuring the basics are right, sound and competitive procurement, approach to managing inflation, ensuring income budgets are maximised and charges appropriate.

The resultant work has identified a further £3.46m made up of a combination of £170k additional income generation and £3.29m efficiencies, including the targeted investment of reserves, deletion of vacant posts and review of legacy pension budgets.

The table below sets out the total planned savings and efficiencies and the details are contained within Appendix 1.

Corporate Core - Savings proposals

Future Shape Theme	**2023/24 £000's**	**2024/25 £000's**	**2025/26 £000's**	**2026/27 £000's**	**2027/28 £000's**	**Grand Total £000's**
Customer Experience (RBDXP)	0	0	200	500	850	1,550
More Purposeful & Effective Core	200	422	490	400	400	1,912
Digital Data Insights	100	50	209	300	300	959
Future Shape Total	**300**	**472**	**899**	**1,200**	**1,550**	**4,421**
Further Savings & Efficiencies	3,065	205	190	0	0	3,460
Total Corporate Core	**3,365**	**677**	**1,089**	**1,200**	**1,550**	**7,881**

Operations and Commissioning Services Approach to Savings

3.11 As part of looking to identify possible savings to support the overall budget priority has been given to generating increased income, the total savings options identified total £2.581m over the three-year period and £2.531m is through increased income. The proposed savings options from across Operations and Commissioning are set out in table 3 of Appendix 1.

Investment Priorities

3.12 There were growth and investment pressures of £1.777m identified in November that needed to be considered as part of the budget setting process, and details are included in the table, along with narrative below:

Description	2023/24 £000's	2024/25 £000's	2025/26 £000's	Total £000's
Gorton Hub running costs	500	0	0	500
ICT – EUD refresh	0	750	0	750
ICT – Cyber licences	461	0	0	461
Finance – increased license costs	10	10	0	20
HR – reduced payroll income	23	23	0	46
Total Corporate Core Pressure	**994**	**783**	**0**	**1,777**

3.13 The 2022/23 Corporate Core budget report identified pressures due to the Gorton Hub opening in 2022/23. The hub includes both City Council and Partner offices. There was an initial c£0.5m approved as part of the 2022/23 budget and a further £0.5m is proposed 2023/24 to cover a combination of increased costs due to higher specified accommodation, and to cover costs of vacant units until the Hub is fully let. The Hub includes additional quality space to meet future requirements for office space and feed into the wider ongoing review of office space.

3.14 There were also some new pressures that had been identified for 2023/24 and beyond that were highlighted in November and they included:

- Information Technology £0.75m - as part of the ICT strategy there have been including rolling out the end user device strategy. In order to provide an ongoing refresh of kit and additional revenue requirements of c£0.75m will be required from 2024/25.
- Additional security software - there has also been increased requirements in respect of ensuring systems remain secure, and to avoid any security compromises and to aid this additional software has been installed in 2022/23 and the full year costs in 2023/24 will be c£461k per annum.
- Financial Management increased licence software to support the implementation of Civica costs £20k

- HR/OD £46k reduced payroll income as schools use alternative providers.

3.15 In the report to this scrutiny committee in November identified additional £3.55m investment in direct response to the unprecedented pressures facing our residents from the current cost of living crisis the additional funding will provide additional provision to provide some additional targeted support to our residents and further detail is in the table below.

Cost of Living Response – New Investment 2023/24

	2023/24 Recom-mended £000	**Comments**
Food response	1,000	Working with the Community Food Partnership the majority will be invested in ambient stock and storage which all food providers in the city can access. In addition, there will be targeted support in the 11 priority wards where there is greatest need or vulnerability to the Cost-of-Living crisis.
Local Welfare Provision	600	Additional funding for the Local Welfare Provision scheme operated by the Revenues and Benefits Service. This scheme helps cover essential costs for households in crisis including one-off crisis cash payments and basic white goods & furniture for residents moving from temporary to permanent accommodation.
Other Welfare Schemes	50	Additional support for S17 payments to vulnerable families and for care leavers.
Discretionary Housing Payments	1,000	This is to reinstate the previous budget reduction in this area due to the growing demand for support. The primary aim to support people in their own tenancies and to stop people from becoming homeless.
CHEM	200	Covid Health Equity Manchester to support Communities experiencing racial inequality and other inequalities more likely to be impacted by the cost-of-living crisis
Support to VCSE	500	Additional support to increase the capacity of the VCSE sector to respond to the COL crisis in the wards most affected and citywide
Expand advice & debt support offer	200	Additional investment to expand the advice and debt support offer with a focus on residents who are in the private rented sector
Total	**3,550**	

Other measures include the following:

- Establishment of the Community Advice Hub – an online and freephone helpline service to connect Manchester residents to the support available, which has been up and running since 3 October 2022.

- Advice and information to schools to poverty proof the school day and help families to ameliorate costs e.g., school uniforms at key points in the school year
- Team Around the Neighbourhoods focusing on cost of living and poverty in the 11 priority wards to bring together the local advice and support offer
- Communications and Engagement campaign across multiple channels to promote the Advice Hub and wider support offer for Manchester residents.
- Work with partners – Registered Providers, VCSE and MLCO to provide a coordinated offer, align resources and extend reach and impact
- Creation of warm spaces through Neighbourhood Living Rooms in Libraries and in community and faith venues where people can access information and support in warm settings. New Investment Proposals

3.16 The higher than forecast funding from the settlement has provided some scope to include additional targeted investments. The following table sets out details of new Corporate Core proposed investments in the Corporate Core, and there is further narrative below.

Description	2023/24 £000's	2024/25 £000's	2025/26 £000's	Total Investment £000's
ICT systems and security resources	250	0	0	250
HR disability hub	250	0	0	250
Target support for vulnerable residents and voluntary sector	2,000	0	0	2,000
Corporate Core New Investment	**2,500**	0	**0**	**2,500**

3.17 Due to the increased security risks and the changing ICT environment investment of £250k is proposed to support additional resources in the systems and security team to ensure that council systems are secure.

3.18 The council workforce is its most important asset and £250k investment is planned to support the introduction of a disability hub. This will be a one stop shop for staff to access the support, equipment, or adaptations they need to be able to do their job. Establishing these resources was identified as a priority in the Workforce Equality Strategy and disabled staff and other relevant staff are being fully involved in the design of the hub.

Additional Support for Residents

3.19 The general council tax increase is required to cover inflation and other pressures the Council is facing. If the general precept is increased additional investment to provide targeted support for vulnerable residents and to the Voluntary, Community and Social Enterprise (VCSE) should be considered to protect our poorer residents. There will be the ability to reduce some of these costs in future years as the economy improves and inflation reduces.

3.20 An additional investment of £2m is proposed to provide additional targeted support for vulnerable residents and the voluntary sector and additional support to the most vulnerable residents suffering direct hardship.

3.21 Support will be made to Voluntary and Community groups that provide Community Hubs, Good Neighbours Groups and other locally focused activities that support residents in all parts of the city. This will be in addition to the programme of Our Manchester Voluntary and Community Sector (OMVCS) Grants and the Cost-of-Living response resources for the sector. A small amount of this funding will be used to fund two additional posts to help administer the cost-of-living support to residents.

3.22 In addition, it is proposed that additional resources are made available to provide support to the most vulnerable residents suffering direct hardship, this will be addition to existing welfare provision schemes but recognise the severity of the current economic climate on our residents. This will seek to achieve targeted support through:

- The ability to waive some or all of the costs for those at summons stage where they engage with a repayment plan. Historical costs could also be considered for write off to ease the debt burden on residents. The Council budgets for income from costs and the budget for this would need to be reduced.
- Where there is evidence of hardship and there is engagement on a repayment plan with a commitment to maintain the current year instalments (eg by a direct debit) then the ability to suspend arrears recovery or write off all or part of the prior year debt could make a significant difference.

3.23 If these options are supported work will be carried out to develop a clear policy framework linked to the cost-of-living work reporting to the Deputy Leader responsible for reducing poverty and tackling inequalities.

This will supplement the Household Support Fund which is being extended by a further £1bn nationally to help with the cost of household essentials, for the 2023/24 financial year. If the allocation methodology remains in line with 2022/23 the Council will receive almost £13m. Alongside this is the £4.140m Holiday Activity Fund which will provide holiday clubs for eligible children in the main school holidays.

The Government has also announced £100m of additional funding for local authorities to support the most vulnerable households in England. The government provided guidance and provisional allocations on 23 December. Allocations are based on authorities' share of Local Council Tax Support (LCTS) claimants according to Q2 2022/23 data, and final allocations will be confirmed at the final Local Government Finance Settlement. The government expects local authorities to use the majority of their funding allocations to reduce bills for current working age and pension age Local Council Tax Support (LCTS) claimants by up to £25. Councils can use their remaining allocation as they see fit to support vulnerable households with council tax bills. Manchester had 48,809 Council Tax Support Scheme claimants (CTSS) as at 30 September 2022 and has been allocated £1.286m.

For 2024/25 the Council should consider the current Council Tax Support Scheme and whether the threshold levels remain appropriate.

The above is in addition to the £3.55m of additional welfare support on an ongoing basis as set out in paragraph 3.15.

3.24 If the proposed changes are approved the three-year budget position is shown in Appendix 3.

Traded Services Investment

3.25 Off-street car parking forms part of the Operations and Commissioning budgets and whilst the number of car park users has increased in recent months, it has not returned to pre covid levels largely due to changes in peoples working arrangements and the move to hybrid working. Currently pay on the day ticket sales are back to around 80% of the pre covid levels, but season ticket sales are only at around 24% of pre covid levels. There has been a recent price change, and this came into effect in December 2022. Based on the most up to date information and projections, the likely shortfall in car parking income in 2023/23 is likely to be around £1.9m and it is proposed that this will be mitigated through bringing together off street and on street parking and making a reduced contribution to the parking reserve. The parking reserve is forecast to be c£6.3m at the close of 2022/23, although based on current activity levels it would reduce to nil by 2027/28. The support for off street parking is proposed for two years in order to provide time to develop and implement a revised parking strategy that will ensure on street and off-street parking complement each other and that parking income is maximised in the context of the overall priorities to reduce car usage in the city centre.

4. Workforce Implications

4.1 Corporate Services currently has 1,995 budgeted FTE, the savings proposals outlined in appendix one indicates a reduction of 27 FTE over the 3-year period. This will be managed through natural turnover and management of vacancies.

4.2 Operations and Commissioning has 126 FTE and the savings proposals include deleting 1 currently vacant post in markets.

4.3 <u>Vacancy Factor</u>

The Council's establishment is fully budgeted for at the top of the grade. In reality there are vacancies caused by staff turnover, recruitment difficulties and staff employed throughout the grade scale. In order to avoid budgeting for costs that will not be required and the need to make further budget cuts elsewhere, adjustments are being made to reflect these issues by applying a vacancy factor to recognise that vacancies will always exist. The continued challenges in filling posts also means that the council is working hard on ensuring we are an employer of choice and can attract people and minimise the pressures on our existing workforce.

5. Equality and Anti-Poverty Impact

5.1 Each saving proposal will be supported by robust business cases where consideration has been given to how the proposed savings could impact on different protected or disadvantaged groups. Where applicable proposals will be subject to completion of an Equality Impact Assessment (EqIA) and a Poverty Impact Assessment as part of the detailed planning and implementation. Work is also underway on the way in which equalities data is collected across the Council, supporting the ability to be better informed on the impact of changes being made to services.

5.2 The current saving proposals in the core directorate focus on delivering efficiencies and implementing new ways of working with limited impact on services which directly deliver to residents. However, the major projects within these proposals, such as RBDXP, have equality and inclusion at their heart and have embedded this in their design stages with robust EqIAs in place at a project level. Due to this diligence at the design stage of these projects, no direct impacts on people and specifically MCC priority protected characteristics have been identified. This will remain under review throughout the further development of these proposals.

5.3 The work that will be carried out on individual business cases will be complemented by work to consider the collective impact of the options proposed and how the overall budget changes will impact on equalities, poverty and ultimately our residents. The Core Directorate will review how the use of their budget as a whole, not just that of budget savings/reductions, might mitigate or positively impact on equality, anti-poverty, and how social value can be maximised.

6. Future opportunities and Risks

6.1. Whilst there is some provision proposed as part of the budget options the longer-term impacts of the current economic climate are still unknown, and this is likely to have ongoing impacts in terms of both increased demands for direct financial support but also increased demands on service areas across the Council. In addition to the support for residents the current economic uncertainty is likely to continue resulting in increased contractual costs for goods and services because of higher inflationary pressures across all services.

7. Appendices

Appendix 1 – Savings Schedule
Appendix 2 – Growth and Investment Schedule
Appendix 3 - Indicative Medium-Term budgets by service
Appendix 4 - Indicative Medium-Term budgets by type of spend and income

Appendix 1 - Savings Schedule

Corporate Core	Description of Saving	Type of Saving	RAG Impact	Amount of Saving 2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000	Indicative FTE Impact
Customer Experience (RBDXP)								
Customer Services & Transactions	ICT investment will make digital access easier and increase no of residents using digital channels rather than traditional channels for contact	Efficiency	Reduced staffing requirement due to increased digital access, staffing reduction will be managed through turnover.	0	0	200	200	7
Digital Data Insights								
ICT	Due to increased flexible working and access to MS teams, reduce number of telephones (mobiles and landlines) across the council	Efficiency	Link to EUD reduce mobile phones and 8x8	5	25	25	55	0
ICT	ICT software change that provides staff authentication to use MCC systems	Efficiency	Minimal impact, staff will authenticate access using different software	90	0	0	90	0
ICT	Rationalise Wi-Fi providers	Efficiency	Reduce number of wifi providers across the estate	0	0	184	184	0

Corporate Core	Description of Saving	Type of Saving	RAG Impact	Amount of Saving 2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000	Indicative FTE Impact
ICT	Due to changes in working arrangements, reduce both the number of printers across the estate and the volume of prints.	Efficiency	Re procure new print supplier and reduce number of printers across the estate to reflect new flexible working	5	25	0	30	0
A More Purposeful Effective Core								
Finance, Procurement & Commercial Governance	As part of the planned change in ERP system there will be increased efficiency through standardisation of processes, training of budget holders and self-service.	Efficiency	Look to manage and plan staffing reductions through changed processes and enabling head count reduction through natural turnover and management of vacancies	200	200	200	600	12
HR/OD	Replace existing ATS software to improve recruitment processes and new front Door implementation.	Efficiency	Look to manage and plan staffing reductions through natural turnover and management of vacancies	0	50	65	115	3

Corporate Core	Description of Saving	Type of Saving	RAG Impact	Amount of Saving 2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000	Indicative FTE Impact
Performance research & Intelligence	Review service operating model with greater emphasis on proactive work to improve our data and develop self-serve capacity and greater prioritisation of requests from services	Efficiency	Reduced staffing. Stakeholders improve data quality, agree to reduce the volume of requests and commit to self-serve as systems improve to enable this	0	122	125	247	5
Legal Services	Increased income through review of fees and charges	Income Generation	Increased fees for legal services to third parties	0	50	100	150	0
Total Future Shape Programme				**300**	**472**	**899**	**1,671**	**27**

Corporate Core	Description of Saving	Type of Saving	RAG Impact	Amount of Saving 2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000	Indicative FTE Impact
Housekeeping								
City Policy	Reduce strategic cultural grant to NFM	Efficiency	Reduce grant support to NFM	50	50	0	100	0

Corporate Core	Description of Saving	Type of Saving	RAG Impact	Amount of Saving 2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000	Indicative FTE Impact
Reform & Innovation	Workforce review	Efficiency	Reduction in staffing budget through vacant posts	20	0	0	20	0
Communications	Review print and mailroom processes	Efficiency	Reduce print sites, introduce digital scanner solution and reduce courier costs	15	35	70	120	0
Communications	Review subscription and software licenses	Efficiency	Reduce annual subscriptions, software and reputation research	30	0	0	30	0
Registrars	Review existing fees and charges to align with other Core Cities	Income Generation	Increased fees for ceremonies and certificates	0	20	0	20	0
Customer Services & Transactions	Review annual income targets for clamping budgets	Income Generation	Increased income because of activity levels	150	0	0	150	0
Corporate	NI and Superannuation savings through introduction of electric car leasing	Efficiency	Employees will access ULEV through salary sacrifice	0	100	120	220	0
Corporate	Savings against historic pension costs	Efficiency	Historic budget reduced to reflect current needs	500	0	0	500	0

Corporate Core	Description of Saving	Type of Saving	RAG Impact	Amount of Saving 2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000	Indicative FTE Impact
Parking	Review existing parking and bus lane reserve	Efficiency	Review forecast bus lane and parking reserves to ensure investment opportunities are maximised. The funding will be used a year in arrears to contribute to funding the road safety elements funded through the transport levy.	2,300	0	0	2,300	0
Total Housekeeping Savings				**3,065**	**205**	**190**	**3,460**	**0**
Grand Total Corporate Core				**3,365**	**677**	**1,089**	**5,131**	**27**

Operations and Commissioning Savings Proposals

Description of Saving	Impact	Type of Saving	Amount of Saving				Indicative FTE Impact
			2023/24	2024/25	2025/26	Total	
			£'000	£'000	£'000	£'000	
Bereavement Services - Income charges, increase of 10% on all fees and charges	Impact on funeral poverty for Manchester Residents	Income Generation	0	0	372	**372**	-
New advertising hoardings on Chester Road roundabout	The delivery of the scheme is subject to planning approval, considerable engagement has already taken place to ensure that the planning application addresses all the requirements and concerns.	Income Generation	0	100	0	**100**	-
Increased traffic enforcement – Moving Traffic Offences - new scheme / Bus Lanes - full enforcement of all bus lanes and bus gates	Will generate additional revenue income that will be used for investment and release existing mainstream budgets	Income Generation	0	1,000	1,000	**2,000**	-
Increase to the fees and charges for a Pest Control Service	A 10% increase in prices charged to customers.	Income Generation	59	0	0	**59**	-
Reduction in pest control supplies budget	Will require more efficient purchasing	Service reduction	20	0	0	**20**	-
City Centre and Specialist Markets Saving Delivery Proposal. Disestablish G4 vacant post	Increased flexible working between City Centre and Specialist Market delivery teams.	Efficiency	30	0	0	**30**	1.00
			109	**1,100**	**1,372**	**2,581**	**1**

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Appendix 2 – Growth and Investment Schedule

Service	Description of Pressure	Pressure / Growth Amount			
		2023/24	2024/25	2025/26	Total
		£'000	£'000	£'000	£'000
Investment and growth included in the 2022/23 MTFP:					
Operational Property	Revenue support for costs of Gorton Hub as reported in the 2022/23 budget process.ar	500	0	0	500
ICT	Additional software licenses there has also been increased requirements in respect of ensuring systems remain secure, to avoid any security compromises and to aid this additional software has been installed in 2022/23 and the full year costs in 2023/24 will be c£461k per annum.	461	0	0	461
Financial management	Increased costs of licenses with the implementation of the new Civica finance system.	10	10	0	20
HROD	Reduced income – reduction in use of the school payroll service	23	23	0	46
ICT	Costs of ICT hardware refresh. In order to provide an ongoing refresh of kit and additional revenue requirements of c£0.75m will be required from 2024/25.	0	750	0	750
Sub Total		**994**	**783**	**0**	**1,777**
Investment and growth added since the 2022/23 MTFP:					
ICT	ICT systems and security resources	250	0	0	250
HROD	HR investment in disability hub	250	0	0	250
	Target support for vulnerable residents and voluntary sector	2,000	0	0	2,000
Sub Total		**2,500**	**0**	**0**	**2,500**
Total Corporate Core Investment		**3,494**	**783**	**0**	**4,277**

Appendix 3: Indicative Medium-term budgets by service

Service Area Chief Executives	**2022/2023 Budget £'000**	**2023/2024 Indicative Budget £'000**	**2024/2025 Indicative Budget £'000**	**2025/2026 Indicative Budget £'000**
Coroners & Registrars	2,374	2,374	2,354	2,354
Elections	1,118	1,118	1,118	1,118
Legal	10,088	10,088	10,038	9,938
Communications	3,441	3,396	3,361	3,291
Executive	980	980	980	980
Policy, Performance & Reform	14,493	15,223	15,051	14,926
CEX Corporate Items	1,215	1,215	1,215	1,215
Total Chief Executives	**33,709**	**34,394**	**34,117**	**33,822**

Service Area Corporate Services	**2022/2023 Budget £'000**	**2023/2024 Indicative Budget £'000**	**2024/2025 Indicative Budget £'000**	**2025/2026 Indicative Budget £'000**
Finance, Procurement & Commercial Gov	8,191	8,001	7,711	7,391
Customer Services	12,955	17,555	16,555	15,535
ICT	15,596	16,207	16,907	16,698
Human Resources & OD	4,528	4,801	4,774	4,709
Audit, Risk & Resilience	1,468	1,468	1,468	1,468
Capital Prog, Op Prop & FM Services	21,874	22,070	22,975	22,975
Total Corporate Services	**64,612**	**70,102**	**70,390**	**68,596**
Corporate Core Grand Total	**98,321**	**104,496**	**104,507**	**102,418**

Service Area Business Units, Advertising and Parking	**2022/2023 Budget £'000**	**2023/2024 Indicative Budget £'000**	**2024/2025 Indicative Budget £'000**	**2025/2026 Indicative Budget £'000**
Business Units	(2,253)	(2,362)	(2,362)	(2,734)
Advertising	(4,400)	(4,400)	(4,500)	(4,500)
Parking Services & CCTV	(7,074)	(7,074)	(7,074)	(7,074)
Total	**(13,727)**	**(13,836)**	**(13,936)**	**(14,308)**

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Appendix 4: Indicative Medium-term budgets by type of spend / income

Corporate Core	2022/2023 Budget £'000	2023/2024 Indicative Budget £'000	2024/2025 Indicative Budget £'000	2025/2026 Indicative Budget £'000
Expenditure:				
Employees	86,276	86,076	85,704	85,114
Running Expenses	235,007	241,509	242,962	242,563
Capital Financing Costs	166	166	166	166
Contribution to reserves	9,905	9,905	9,905	9,905
Sub Total Subjective Expenditure	**331,354**	**337,656**	**338,737**	**337,748**
Less:				
Other Internal sales	(14,795)	(14,795)	(14,795)	(14,795)
Gross Expenditure	**316,559**	**322,861**	**323,942**	**322,953**
Income:				
Government Grants	(161,258)	(161,258)	(161,258)	(161,258)
Contributions from Reserves	(7,151)	(7,151)	(7,151)	(7,151)
Other Grants Reimbursements and Contributions	(4,224)	(4,224)	(4,224)	(4,224)
Customer and Client Receipts	(33,834)	(33,985)	(34,055)	(34,055)
Other Income	(11,771)	(11,747)	(11,747)	(11,847)
Gross Income	**(218,238)**	**(218,365)**	**(218,435)**	**(218,535)**
Total Corporate Core Net Budget	**98,321**	**104,496**	**105,507**	**104,418**

Business Units, Advertising and Parking	**2022/2023 Budget £'000**	**2023/2024 Indicative Budget £'000**	**2024/2025 Indicative Budget £'000**	**2025/2026 Indicative Budget £'000**
Expenditure:				
Employees	4,969	4,939	4,939	4,939
Running Expenses	20,557	20,963	20,963	20,963
Capital Financing Costs	116	116	116	116
Contribution to reserves	28	28	28	28
Sub Total Subjective Expenditure	**25,670**	**26,046**	**26,046**	**26,046**
Less:				
Other Internal sales	(2,696)	(2,696)	(2,696)	(2,696)
Gross Expenditure	**22,974**	**23,350**	**23,350**	**23,350**
Income:				
Government Grants				
Contributions from Reserves				
Other Grants Reimbursements and Contributions				
Customer and Client Receipts	(36,701)	(37,186)	(37,286)	(37,658)
Other Income				
Gross Income	**(36,701)**	**(37,186)**	**(37,286)**	**(37,658)**
Total Business Units, Advertising and Parking Net Budget	**(13,727)**	**(13,836)**	**(13,936)**	**(14,308)**

Manchester City Council
Report for Resolution

Report to:	Children and Young People Scrutiny Committee – 8 February 2023 Executive - 15 February 2023
Subject:	Children and Education Services Budget 2023/24
Report of:	Strategic Director for Children's and Education Services

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Summary

Members will recall that at the November round of scrutiny meetings the Council was forecasting an estimated budget shortfall of £112m over the three years with £44m in 2023/24. As part of the action to address the budget shortfall officers identified potential savings options of £42.3m over three years, of which there were savings options of £11.8m within the remit of this scrutiny committee.
The provisional financial settlement announced 19 December reflected a change in government policy in relation to funding inflation and social care pressures. This has given the opportunity to review the quantum and phasing of savings. It is now proposed that options of £36.2m are progressed, of which £11.725m is within the remit of this scrutiny committee.

This report provides a further update to members on the priorities for the services in the remit of this committee and details the changes to the initial revenue budget options proposed by officers in November 2022.

Each scrutiny committee is invited to consider the current proposed changes which are within its remit and to make recommendations to the Executive before it agrees to the final budget proposals on15 February 2023.

Recommendations

The Committee is recommended to:-

1. To consider and comment on the forecast medium term revenue budget
2. Consider the content of this report and comment on the proposed changes which are relevant to the remit of this scrutiny committee

The Executive is recommended to approve these budget proposals.

Wards Affected: All

Environmental Impact Assessment - the impact of the issues addressed in this report on achieving the zero-carbon target for the city

The budget reflects the fact that the Council has declared a climate emergency by making carbon reduction a key consideration in the Council's planning and budget proposals.

Equality, Diversity and Inclusion - the impact of the issues addressed in this report in meeting our Public Sector Equality Duty and broader equality commitments
Consideration has been given to how the proposed savings could impact on different protected or disadvantaged groups. Where applicable proposals will be subject to completion of an Equality Impact Assessment (EqIA) and an Anti Poverty Assessment.

Manchester Strategy outcomes	**Summary of how this report aligns to the OMS/Contribution to the Strategy**
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	The effective use of resources underpins the Council's activities in support of its strategic priorities as set out in the Corporate Plan which is underpinned by the Our Manchester Strategy.
A highly skilled city: world class and home-grown talent sustaining the city's economic success	Ensuring children and young people are supported and afforded the opportunity to access and achieve in the city; empowered and supported by the delivery of a strong and cohesive system that works for all children.
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	Improving education and social care services that are connected to the wider partnership build the resilience of children and families needed to achieve their potential and be integrated into their communities
A liveable and low carbon city: a destination of choice to live, visit, work	
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 changes included within this report will, subject to Member comments and consultation, be included in the final 2023/24 revenue budget set by Council on 3 March.

Financial Consequences – Capital
None directly arising from this report.

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Background documents (available for public inspection):

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

Revenue Budget Report - Executive Meeting 16 February 2022
Medium Term Financial Strategy 2022/23 to 2024/25 -Executive Meeting 16 February 2022
Children and Education Services Budget 2022/23 - Executive 16 February 2022
Resource and Governance Scrutiny – 6 September 2022
Revenue Monitoring to the end of July 2022 and Budget update 2023/24 to 2025/26 - Executive 14 September 2022
Children and Young People Budget Report 2023-26 - Scrutiny Committee 9th November 2022

1. Introduction and Purpose

1.1 The report sets out an overview of the services within the remit of this scrutiny committee and their key priorities. This report provides a draft set of proposals for further savings and investments for 2023-26, developed in the context of the financial challenge facing the Council.

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

- Section 1 Introduction
- Section 2 Service overview and priorities
- Section 3 Service budget and proposed changes
- Section 4 Use of Grants and Reserves
- Section 5 Workforce

2. Service overview and priorities

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

2.2 **Children's social care services budget -** The Directorate brings together the Council's duties in relation to children identified and assessed to be in need of help, support, protection, looked after by the council and young people with care experience (leaving care service). It includes a range of services targeted to support families and help to avoid their needs escalating and services for those who need to become 'looked after' and Youth Justice Services. 57% of the overall Children's Social Care budget is committed to meeting the costs of caring for our Looked after Children; linked to the cost of placements. The remaining balance of the budget is allocated to Children's Social Care Services such as: Leaving Care, Early Years, Early Help and Youth Justice.

2.3 Illustration one provides an overview of children and young people supported by the Education system, as at October 2022 census, unless stated otherwise. Illustration two sets out the range and profile of children and young people population in the city and those who are supported by the Directorate as of January 2023. There are a total of 1,350 Looked After Children (LAC), of which 152 were Unaccompanied Asylum-Seeking Children (UASC), representing 11.3% of LAC, the highest ever proportion of UASC supported in Manchester.

Illustration1: Manchester's Children and Young People Population

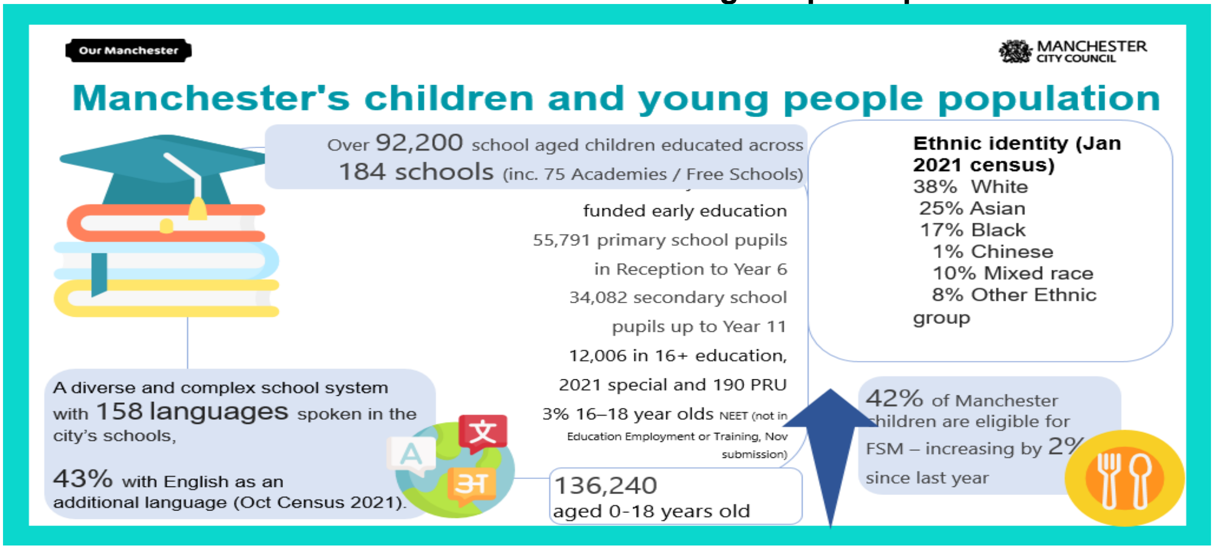
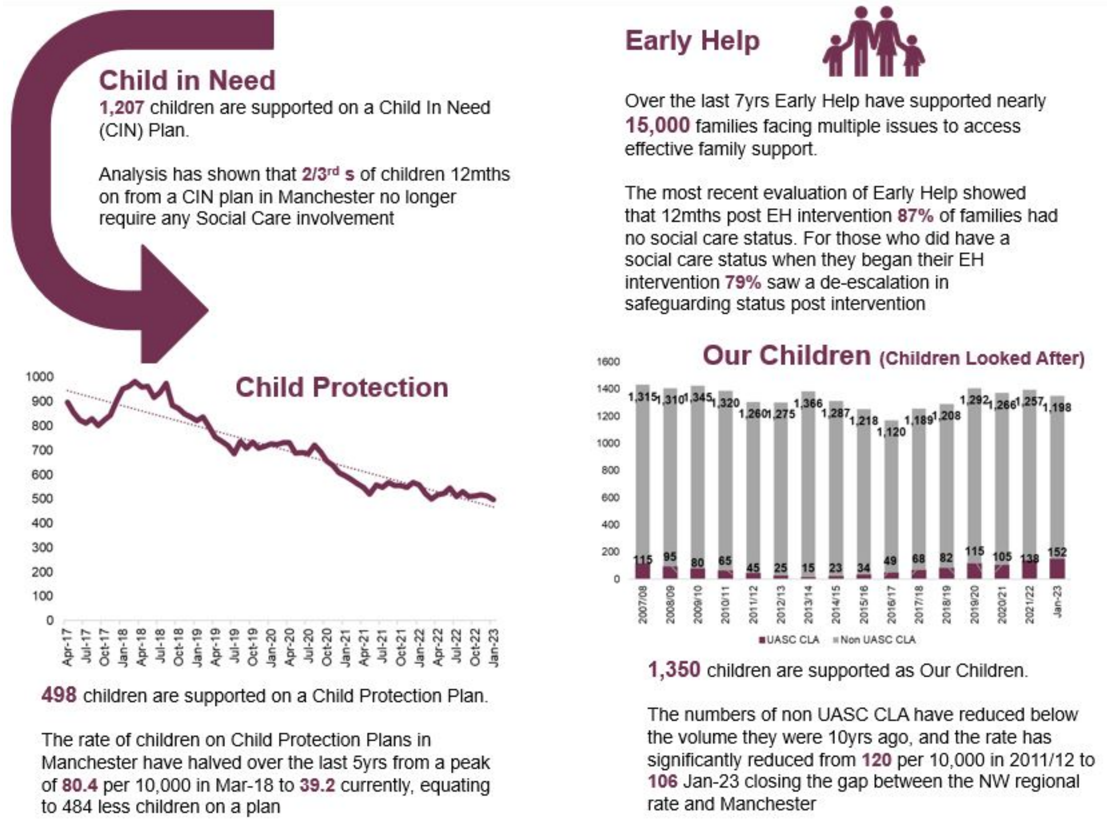


Illustration2: Children's Social Care



2.4 Directorate's planned use of reserves planned for the next few years is outlined in section 4, of note are:

- **Our Year -** In last's year budget process Youth received an extra £500k per year budget. Proposals that were presented to Scrutiny in November 2023 was to reduce that investment by £75k, this saving has now been withdrawn. The £0.5m investment is on-going. There is also a commitment to the legacy of Our Year. The legacy commitments plan spans over the next two years and amounts to £250k per year. Manchester seeks to embed and build upon the

number of UNICEF rights respecting schools and supplementary schools, this will help in our ambition to accreditation as a child friendly city.
- **Kickstart –** This scheme will iimplement a 'task force' of services able to provide intensive support and intervention around a cohort of children in Early Years including year 1 in a school working with a cluster of schools where Early year's data shows a significant and widening gap compared to the national/local data and where high levels of deprivation and/or low engagement with services are a predominant factor. The total drawdown from reserve will be £1m and will be over a two year period.

2.5 **Education Services** - This service budget represents the Council's responsibilities for education and learning funded by the Dedicated Schools Grant and Council budget (the vast majority of which is passported directly to schools). Included on this agenda is a report outlining the position on the Dedicated School Grant (DSG) which sets out the £671m grant settlement for next year

2.6 The Council's Education Services budget is £25m and provides effective and efficient school admissions, place planning, home to school transport services as well as school crossing patrols.

2.7 Transport services makes up 57% of Education Services budget, alongside a further 18% to support children with SEND such as short breaks including overnight stays. The remaining budget is allocated to deliver services such as school attendance and education psychology.

2.8 Education Services also supports and promotes the inclusion of key groups such as the education of children looked after. This is overseen and delivered via a 'virtual school'.

2.9 The improvements in both Children's and Education Services have been associated with a clear ambition and vision to build a safe, healthy, happy and successful future, delivered through continued and strengthening partnerships that support even greater collaboration and robust leadership; underpinned by an effective performance/assurance framework.

2.10 In April 2022, Ofsted Inspected and judged Manchester's Children's Services overall effectiveness as Good. Inspectors found that services had improved since the last inspection in 2017. Of note was Ofsted's judgement of leadership and management was 'good' and identified several areas supporting this judgement, including ongoing financial commitment to the recruitment and retention of social workers, effective quality assurance and performance management arrangements and strong political and professional leadership.

2.11 In January 2022 Inspectors praised services for children with Special Educational Needs (SEND) following an Area SEND Inspection that was undertaken during November 2021. Inspectors noted the ability of city leaders to make any changes necessary in the few areas shown for further improvement - all of which had already been shown by leaders themselves and have robust improvement plans in place.

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

2.13 To support the delivery of the city's strategic priorities the Children and Education Directorate Plan outlines the following key priorities:

- Recognise and value the voices of children and young people in all areas of our work, listening to them and responding to what they tell us;
- Support and develop children's readiness for school and adulthood embedded in an approach to early intervention and early help;
- Everyone's a leader - an empowered, capable, confident, and stable workforce; effective in the management of risk, performance and planning for children;
- Continually improve outcomes for all children and 'close the gap' against the national attainment averages;
- Greater collaboration and partnerships consolidate children's services locality model to support and promote children living in stable, safe and loving homes - achieving 'permanency' to safely reduce the number of children looked after and/or in need of a statutory service;
- Ensure there is a sufficient range and choice of high-quality early years, school, college and youth provision for all children and young people;
- Develop and implement a specialist service/offer for children with complex needs;
- A timely intervention preventing the unnecessary escalation of children's needs is still a key Directorate priority, as is the range and choice of provision for those children who are looked after by the Council and our care leavers. The Directorate runs within a national context of a changing regulatory framework which has an increased focus on;
- Leading the education system to deliver excellent schools and settings with good attendance and support to meet the needs of all learners.

2.14 The Directorate priorities are reviewed annually to ensure they remain contemporaneous with feedback received, changes in national and local policies and priorities. This requires the Directorate to adapt, anticipate and respond to the challenges with purpose and focus.

3. <u>Service budget and proposed changes</u>

3.1 The gross 2022/23 budget detailed in the table below is £528.598m, which includes DSG delegated to maintained schools. Full details of the proposed savings, investment, demographic and inflation pressures are detailed in Appendix 1 and 2 of this report. The net budget is £132.052m.

Table 1: Base budget 2022/23

Service Area	2022/23 Gross budget £'000	2022 / 23 Net Budget £'000	2022 / 23 Budgeted posts (FTE)
LAC Placements	55,842	48,433	40
LAC Placement Services	7,210	7,210	137
Cared 4 Children & Leaving Care	24,753	14,533	15
Children Safeguarding Service Areas	43,394	36,723	779
Education Services (Includes DSG)	378,788	6,668	202
Home to School Transport	11,949	11,883	126
Targeted Youth Support Services	841	841	0
Children's Strategic Management and Business Support	5,821	5,761	138
Total	**528,598**	**132,052**	**1,437**

3.2 Full details of the proposed savings, investment, demographic and inflation pressures are detailed in Appendix 1 and 2 of this report.

3.3 In November 2022 this scrutiny Committee was presented with a set of financial savings proposals totalling £11.8m by 2025/26, relating to services within the remit of this committee for consideration. The provisional settlement on 19 December 2022 reflected a significant change in government policy and associated funding than was much better than initially expected. This alongside observations and challenge from committee members, has given the opportunity to review both the quantum and phasing of savings. As a result, the £75k Youth saving proposal has been removed and inflation assumptions have been reviewed. In addition, due to increasing Looked After Placement and Permanence placement costs the Managing Demand saving has been delayed and reprofiled. Furthermore, the School Crossing Patrol savings proposal has also been rephased, the Council does not believe there is sufficient Parking and Bus Lane reserve to meet the costs of it. Whilst it is proposed that savings of £11.725m savings are progressed, the timing of these have been deferred to later years. Table 2 below shows total of savings, reprofiling of them. Appendix 1 sets out savings schedule.

Table 2: Savings Profile in scope of this Committee

	2023/24	2024/26	2025/26	Total
	£000	£000	£000	£000

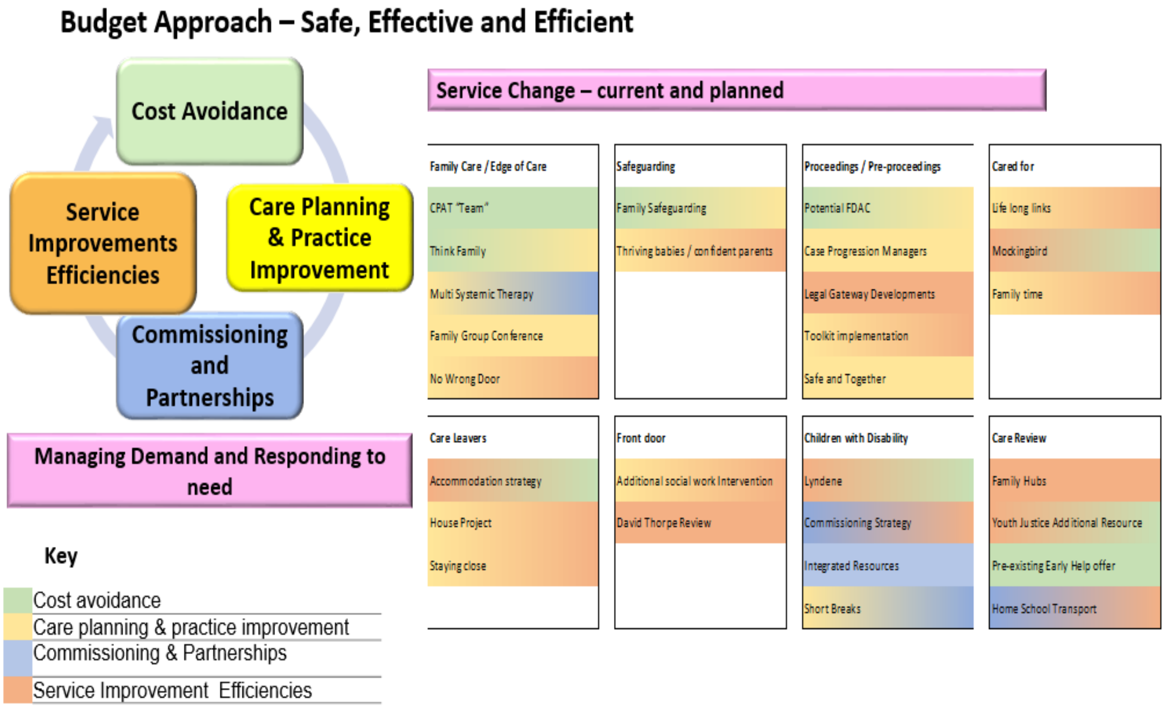
Revised Savings Profile	4,411	3,920	3,394	11,725
Original Savings Profile	5,372	3,320	3,108	11,800
Change	**(961)**	**600**	**286**	**(75)**

3.4 The settlement also gave some scope for some targeted additional investments focused on preventing and managing future demand to leave the council in a more sustainable position in 2025/26 when the current spending review period ends. Investments relevant to this committee are detailed in Appendix 2 of this report. The Children's Directorate is committed to increasing the pace of implementing (already-shown) reforms and continuous service improvements within the Directorate; delivering safe, effective and efficient services as a vehicle to deliver financial savings. This will be achieved by reducing demand for expensive services through, but not limited to, investment in Manchester's Early Help, Family Group Conferencing, Thriving Babies - Think Family, Multi-Systemic Therapy, and the Adolescent Support Unit.

3.5 As in previous years the budget options for savings have been informed by the Directorate Budget approach to deliver safe, effective and efficient services, the progress and impact of the services to date. This approach has been developed by thinking through the way in which the Directorate can meet its statutory duties and make the maximum contribution to the priorities for the city. This includes increasing the pace of implementing already identified reforms and services improvements as a way of making financial savings by reducing avoidable demand for expensive, reactive services and ensuring those being delivered are achieving the best outcomes for the best value.

3.6 In other cases, this is by choosing use of alternative funding sources and, or service reductions which will have the least detrimental impact on the achievement of our priorities. The 2023-26 savings proposals mostly focus on further strengthening our partnerships, collaboration and shared service efficiencies and improvements.

3.7 Illustration three: Budget Approach Proposals 2023-24



Developing partnerships, service efficiencies and improvements

3.8 The progress made by the Directorate is directly attributable to the above approach. When comparing the spend in 2021/22 to the previous year contrary to the national trend~~,~~ the overall net expenditure in Manchester's children's social care services decreased by 5% (c£5.5m). This was due to the effective partnership working at a locality level and purposeful focus from services when they become involved with a family, leading to a reduction in the need for a statutory intervention with children and their families, rather than 'cuts' to services.

3.9 The approach adopted has contributed to overall looked after children numbers (rates) reducing and remaining relatively stable in Manchester. Cost reductions have been driven by a reduction in the number of expensive external residential placements. Part of the explanation for this reduction is a commitment to securing a plan of permanence for children and a clear sufficiency strategy (range and choice of provision to meet children's needs) and delivering at pace the implementation of reforms and service improvements. This includes, but is not limited to: Early Help investment, Family Group Conferencing, think 'whole' Family initiatives, Multi-Systemic Therapy and the Adolescent Support Unit, as outlined in illustration 3. It is expected the impact of these reforms and improvements will be embedded and sustained into 2023/24 and beyond.

3.10 Key aspects of Manchester's Sufficiency Strategy that has had a tangible impact on financial expenditure include;

- Effective and targeted use of semi-independent living provision. This reflects a concerted effort in transition planning, substantial market development work in partnership with residential housing providers,
- A commissioned preferred providers framework

- Adoption and development of the National House Project, this provides a group of (up to) 10 care leavers with the opportunity to take ownership of their accommodation from the start, for example from furnishing/ decorating, minor structural changes to managing their own tenancy with specialist support from the House Project Team.
- Development of Staying close scheme
- Increased recruitment and use of supported lodgings
- Development of a post 16 accommodation hub - making the best use of provision through effective coordination and allocation.
- Transitional accommodation options. Block contracts have been agreed with existing providers and this will further contribute to the existing overall reduction in unit cost for (semi-) independent living options of around 25%.

3.11 There has also been a parallel reduction in spend on external foster placements (12% reduction year on year, equating to £2.1m p.a. reduction in spend). There is a greater proportion of foster placements now made in-house.

3.12 Children are presenting in Accident and Emergency/paediatrics with self-harming behaviours, who are assessed to need specialist services but not ‘mentally ill’. There are limitations in the current provider market to meet the needs of these children, which in turn has led to inflated costs and risks associated with the use of an ‘unregistered’ arrangement, it is proposed through investment to develop a ‘Take a Breath’ model. Take a Breath constitutes two small residential provisions which will provide a bespoke and specialist 6-month placements for up to 4 children. The aim is to achieve this as soon as possible.

3.13 An analysis of the investment in prevention by the Directorate and current placement stability has led to some confidence that placement numbers are not going to increase at the rate assumed in the 2022/23 budget setting process, ‘Managing Demand’ savings proposal is partly achieved. Going forward Manchester remains committed to innovation, promote practice creativity to continually improve the experiences and outcomes of children. We are confident approach outlined this can also deliver financial savings. Subsequently the new service reforms and innovative approaches are detailed in Appendix 1 and 2 and are summarised below:

- Mockingbird - new model of support to internal foster carers.
- Thriving Families – strengths-based, multi-disciplinary and co-located approach to delivering a statutory child protection service.
- Thriving Babies – promoting health, well-being and safeguarding
- Family Group Conferencing
- Development of Social Work Bursary Scheme
- Foster Care recruitment campaigns
- Development of Staying close scheme
- Development of Specialist Short Breaks
- Participation in a Greater Manchester Family Drugs and Alcohol Court

3.14 Whilst at the time of writing and is imminent, the Government’s response to the Independent Review of Children’s Social Care has yet to be published.

However, it is anticipated the approach adopted to date and initiatives outlined in paragraph 3.14 will align very well. The subsequent savings, which are expected to be achieved through fewer and reduced placement costs, total £10.615m. Placement investments from the above innovations as outlined above total £2.454m, both savings and investment relate to preventing specialist intervention/children becoming looked after, stability in the care of children and overall service improvements. The Directorate is committed to prioritising investment to where it leads to service improvements and a return. Evaluation of these investments is scheduled to be undertaken in 18 months.

Service Efficiencies

3.15 Of the savings proposals, £1.110m focus on charging of existing services to grant, reserves, ceasing activity that it is not achieving planned outcomes or applying different set of budget assumptions.

3.16 In March 2022 Ofsted's judged Manchester's leadership and Management identified one of the areas supporting this judgement, included the ongoing financial commitment to the recruitment and retention of social workers. £0.748m of the investment proposals ensures there is sufficient budget to support Children's Social Work recruitment and retention requirements.

Demography and Inflation Pressures 2023-26

Demography

3.17 Looked after Children placements and Home to School Transport demographic demand was determined based on the placement numbers on which the budget was set compared to the current position and potential increase in demand informed by 3% population growth predictions. Subsequently it is proposed that the Children and Education Services cash limit budget will increase by £2.357m, £2.419m and £2.479m in 2023/24, 2024/25 and 2025/26 respectively as estimated in the 2021/22 budget setting process.

Inflation

3.18 Usually, budgets set aside for price inflation are held corporately and allocated in year once they materialise. These are subject to consideration by the Deputy Chief Executive and City Treasurer, before being recommended to Executive to be released to Directorates. The high and volatile inflationary environment has seen an increase to the corporate inflation allowance and immediate pressures affecting budgets in 2023/24 have already been identified and are deemed unavoidable. Requirements are highlighted in Appendix 2 of this report illustrate that there are £2.687m of known and confirmed inflation pressures, this will be allocated to the budget at the start of the year and £1.515m will be set aside Corporately for price inflation and will be drawn down, if needed. Known funding and the corporate inflation provision will be reviewed later date in order to ensure that it can support likely fee increases for external providers and foster carers.

3.19 Approved budget and proposed changes are provided in the budget Table

Table 3: Budget Movements Approved and Proposed

	2023/24	2024/25	2025/26	Total
Approved Budget Movements	**£,000**			
	132,052	**138,234**	**136,633**	**406,919**
Early Years Saving	-100	-100	0	-200
Reversal of one off Saving from 22/23	1,409	0	0	1,409
Budget adj. Early Years	940	0	0	940
Demography	2,357	2,419	2,479	7,255
Sub-total	**136,658**	**140,553**	**139,112**	**416,323**
Less New savings proposals				
Managing Demand	3,000	3,000	2,000	8,000
Use of Reserves	500	(500)		0
Mockingbird	47	219	257	523
Thriving Families (Formerly Family Safeguarding)		500	500	1,000
Thriving Babies	300	90	0	390
Shared Care		351	351	702
School Crossing Patrols		100	286	386
Early Help	430	160		590
Vacancy Factor	134			134
Sub-total	**4,411**	**3,920**	**3,394**	**11,725**
New Investment				
Take a Breath	915			**915**
Short Breaks	125			**125**
Social Work Recruitment and Retention	748			**748**
Family Group Conferencing	250			**250**
Foster Recruitment	98			**98**
Placement Pressures and Home to School Transport	1,000			**1,000**
Family, Drug, Alcohol Courts	164			**164**
Sub-total	**3,300**			**3,300**
Funded Inflation Pressures				
Internal Placements	1,966			**1,966**
Home to School Transport	500			**500**
Care Leavers – First Home & Winter payment	221			**221**
Sub-total	**2,687**			**2,687**
Total	**138,234**	**136,633**	**135,718**	**410,585**

4. <u>Use of Reserves and New Grants</u>

4.1 Reserves are a corporate resource and planned use of the resource needs to be to cross reference to the Reserves Strategy as part of the medium-term financial plan, in line with the reserves policy.

Reserves

4.2 **Our Year –** Celebrates Manchester's children and young people with a whole-city approach to help them shape a future that's safe, happy, healthy and successful. 2022/23 has been a year of action, together to create more activities, opportunities, experiences and support for our children and young people. There are a few 'Our Year' legacy commitments plan that span over the next two years, the proposal is to fund £250k per annum from a designated children's reserve.

4.3 **Thriving Families –** is a whole family, strengths-based approach to child protection. Work is undertaken by children's social workers, adult mental health practitioners, substance misuse and probation officers, working together as one team. Joint knowledge and expertise are used to assess the needs of the whole family, supplying services to meet those needs and supporting parents to achieve sustained change for themselves and their children. At this stage whilst the structures requirements to support this approach is still being finalised the staffing requirement will be around 27.5fte. In the short term to establish the team and embed this approach the service is looking to fund the service from the Supporting Families reserve over the next two years. If successful to sustain the service after this use of reserves 22 placements per annum would be avoided because of this intervention. As savings cumulate, they would both cover the cost of the service and provide a saving by year three of the program. It is proposed that Thriving Families is supported by the Supporting Families reserve by £0.8m in year one, £1.2m in year two and £0.4m in year three of the programme. Support would taper in year three as savings are generated from the work being undertaken. The reserve will be fully used by year three.

4.4 **Kickstart Programme -** Children, young people and their families particularly those most impacted by the pandemic, cost-of-living crisis and those from communities that experience racial inequality. The Kickstart task force will comprise professionals from multi – agency/voluntary community services who can provide interventions to accelerate progress of children through working within the school, partners and community assets to address some of the developmental gaps and to provide different holistic family support. In addition to direct intervention provided to children through the additional resources delegated to the school and specialist advice and support allocated to the cluster of schools, support will include help for families such as financial advice/signposting, work and skills support, Early Help, mental health, support for home learning and health and well–being needs. The membership of the task force will vary depending on the school, community and identifying needs but will build on the existing Early Years integrated delivery model and successful outreach service. The reserve requirements are over two years, whereby £0.6m is needed 2023/24 and £0.4m will be called upon the year after.

4.5 **Social Work Bursaries -** Manchester has shown an ongoing financial commitment to the recruitment and retention of social workers. Whilst this is an ongoing challenge nationally, the support and approach taken to date has led to an increasingly stable and confident workforce. To further develop Manchester's future approach, it proposed that £30k per annum bursary is created to support and encourage staff who have experience of working with children and their families seek a social work qualification via a Social Work Apprenticeship Scheme delivered by the Greater Manchester Social Work Academy. The Social Work Apprenticeship Scheme is a three program, whereby students attend University one day a week, in recognition that it will take a period to time to scale up the plans. Drawn down on investment will phased over 2 years, £0.6m next year and a further £0.6m the year after. £0.8m of the support will come from a Children's reserve, the balance is yet to be worked through.

4.6 **School Crossing Patrols –** November's scrutiny report included the proposal to charge all the School Crossing Patrol (SCP) service to a reserve going forward. In accordance with the reserve's conditions road safety measures can be charged to the reserve. Capital support will also be provided, however, it is not expected that this will significantly reduce the need for school cross patrols. Further work is required to develop the longer-term funding and approach. In order to progress this work and make further improvements to management of the SCP it is proposed £124k is drawn down from the Road Parking and Bus Lane Penalties Reserve in the short to medium term.

Grants

4.7 **Family Hub** – the Council has received confirmation of grant funding of £5.3m over three years. Family hubs make effective, integrated early help easily accessible to families. This programme will fund a network of Family Hubs, Start for Life and family help services, including breastfeeding services, parenting programmes and parent-infant mental health support. To deliver the programme it is planned that the grant will be spent over workforce and commissions, plans are yet to be finalised.

4.8 **Staying Close –** after a successful bid grant notification of £1.4m over three years has been received. Under this scheme the narrative is that young people determine their transition to independence. They decide what support will help them the most and work with staff to come up with a care plan. This means care leavers know they have someone who they can rely on for when they need a bit of help.

4.9 A summary of Children Social Care and Education services grants are provided in Appendix 5 of this report.

5. Workforce Implications

5.1 The Children and Educations Directorate currently has a gross budgeted workforce of 1,437 fte, of which 1,310 fte are funded by Council budget, and the remainder through grants and external income. There is no projected workforce impact of activity to deliver the savings. There are workforce implications underlying investment and use of reserves of approximately 51fte. Effective and robust workforce planning arrangements are in place to ensure that, as functions and roles change, the skills and focus of the workforce are effectively developed to ensure the Directorate can meet its strategic priorities.

5.2 The workforce implications for children’s and education services represent a continuation and improvement of existing priorities as expressed in the workforce strategy; which is to achieve a stable, confident and talented workforce through a culture of success, strengths-based approach and strong and effective leadership and management which will be achieved through:

- The continuing development and implementation of the Children’s improvement plan
- Implementation of the Children’s Locality Model programme
- Developing strong and effective leaders and managers; enabling them to create high performing and motivated team
- Effective recruitment and retention; to ensure the Directorate has the skills to meet current and future needs.
- Managing and improving the health and wellbeing of the workforce; with a specific focus on reducing absence and improving attendance.
- Building a high impact learning culture which ensures staff feel empowered and equipped to practice to high standards.
- Ensuring professionals that work with children and young people have manageable workloads
- Continue to reduce the reliance on interim and agency worker

5.3 The Council’s establishment is fully budgeted for at the top of the grade. However, there are to be expected vacancies caused by staff turnover, recruitment difficulties and staff employed throughout the grade scale. To avoid budgeting for costs that will not be required and making bigger cuts elsewhere, adjustments are being made to reflect these issues by applying a vacancy factor to recognise that vacancies will always exist in an organisation of Manchester’s size. The continued challenges in filling posts also means that the council is working hard on ensuring we are an employer of choice and can attract people and minimise the pressures on our existing workforce.

Appendix 1 - Savings Schedule

Service	Description of Saving	Type	RAG Impact	Amount of Saving 2023/24 £'000	Amount of Saving 2024/25 £'000	Amount of Saving 2025/26 £'000	Amount of Saving Total £'000	FTE Impact Indicative
Developing partnerships, service efficiencies and improvements								
Children's Safeguarding	**Managing Demand –** Saving assumes that growth of placement numbers will be at a rate of 78 per annum across Looked After Children and Permanence placements, whereby average cost of placement is £25k p.a.	Efficiency	Potential to improve outcomes through prevention and more appropriate placements.	3,000	3,000	2,000	8,000	None
	Mockingbird - Programme nurtures the relationships between children, young people and foster families supporting them to build a resilient and caring community of six to ten satellite families called a constellation. The Mockingbird constellation builds links with other families and individuals important to the children's care plans and to resources in the wider community which can provide them with enhanced opportunities to learn, develop and succeed. This model has been applied elsewhere and has led to greater placement stability and carer retention. It is expected that over a three-year period 2 external residential placements and 4 external fostering placements can be avoided.	Efficiency		47	219	257	523	None

	Use of Reserve – to off-set recent increase in cost of external residential placements, one year only.	Use of Reserves		500	(500)		0	
	Thriving Families - is a whole family, strengths-based approach to child protection. Work is undertaken by children's social workers, adult mental health practitioners, substance misuse and probation officers, working together as one team. Joint knowledge and expertise are used to assess the needs of the whole family, supplying services to meet those needs, and supporting parents to achieve sustained change for themselves and their children. There is empirical evidence that risks to children can reduce, reducing the need for children to come into care and requiring child protection planning. The cost benefit analysis shows that 22 placements can be avoided 2024/25 to 2025/26.	Efficiency			500	500	1,000	None
Children's Safeguarding	**Shared Care -** It was found that an edge of care service supporting children who have a learning disability and/or autism is needed. The plan is to support six children, splitting the week between the children to ensure there is only three children at home at any one time. Where needed the service will offer outreach support to children's families. It will promote education, health, and activities. Clothing will be provided by the family, foster carer/guardian etc. Children will be collected dropped off, as well as transported to education on the days children are at the home. The plan is to develop and test this in in 2023/24. The savings proposal assumes cost avoidance of 4.5 external residential placements and a further 1.5 placement external fostering placements.	Efficiency	Improving outcomes through more optimal approach to supporting Child with Disability		351	351	702	None

Children's Safeguarding	**The Thriving Babies -** Confident Parents Project is about promoting the health, wellbeing and safeguarding of children through working differently with their parents during pregnancy to improving outcomes for babies so they can thrive by having safe, stable, permanent homes, still being with their families and communities. The proof of concepts has been trailed and will be rolled out throughout the city. To date the program has worked with 118 cases, 110 babies have remained in the care of their family and 8 have become looked after - to date. The 118 primary care givers had previously 81 children removed from their care prior to working with Thriving Babies showing the complexity of this cohort. Numbers of babies taken into care across the city have reduced since the implementation of Thriving Babies in Jun-21. Based on this evaluation and after taking account of savings proposal outlined in it is proposed a further £200k savings can be made from the project, this equates to 15 internal foster care placements over the course of the year and a further 4.5 internal foster care placements thereafter.	Efficiency	Potential to improve outcomes through prevention	300	90		390	None
Service Efficiencies								

Education	**School Crossing Patrols –** There are 90 school crossing patrols. The patrols are rated red, amber or green in terms of road safety. 21 are rated as red, 36 rated as amber and 33 rated as green. The Council undertook significant capital investment from 2018 to 2022 in total £6.18m. This work has led to eight crossing changing their rating to green. Council policy is that it funds staffing for red and amber locations. If a crossing location is green, or is regarded as green, the school is given the choice to fund the patrols costing £6k per year. Whilst SCP (School Crossing Patrols) are not a statutory service they are key road safety measure. It is proposed that SCP are financed by the Road Parking and Bus Lane Penalties Reserve instead of Council budget an on-going basis. In accordance with the reserve's conditions road safety measures can be charged to the reserve. Further capital support will be provided to support the investment in school crossing patrols to reduce the call on future reserves.	Efficiency	These savings have been identified as deliverable without impacting on delivery		100	286	386	None
Children's Safeguarding	**Early Help -** the service's gross budget is £8.9m, it is funded by grant and Council budget. The grant supporting the service is set to increase by £2m, it will receive additional Family Hub (£1.5m) and Supporting Families grant (£0.5m) next year. This extra targeted investment has allowed services to be reviewed and streamlined to release £0.590m. Following a line-by-line review of the £0.550m of the proposed saving will be achieved through reducing contingencies built into the existing budget. £50k of 2023/24 saving will be achieved through the ending of a contract. This approach will not impact on service delivery or expected outcomes as savings are being made through service efficiencies.	Efficiency	These savings have been identified as deliverable without impacting	430	160		590	None

Directorate	**Vacancy Factor -** There are 1,437 full time equivalent staff in the Directorate. A key budget assumption underpinning the financial plan is that staff are assumed to be at top of their pay scale minus a percentage ranging between 2.5% - 10%. New staff typically start on the bottom of their post's pay-scale. After reviewing the last three years staff turnover, it is proposed that an added 0.2% vacancy factor can be applied to workforce budgeting.	Efficiency	on delivery	134			134	None
				4,411	**3,920**	**3,394**	**11,725**	

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Appendix 2 – Pressures/Investment/Inflation/Demography

Service	Description of Pressure	2023/24	2024/25	2025/26	Total	FTE Impact
		£'000	£'000	£'000	£'000	Indicative
Children's Safeguarding	**Early Years -** The Dedicated Schools Grant (DSG) is significantly overspent and is subject to a recovery plan. Following a line-by-line review of spend and to reduce pressures it is proposed that £0.940m commissioned training support in relation to early years high needs will no longer be charged to the high needs block and charged to Early Years council budget instead, additional Council budget will be allocated to accommodate this transfer.	**940**			**940**	
Children's Safeguarding	**Reversal one year saving –** one year use of reserve reverses in 2023/24 £1,409m and £100k Early Years saving 2023/24 and 2024/25	**1,309**	-100		**1,209**	
Investment						
Children's Safeguarding	**Take a Breath -** it is proposed that both in-house solutions and longer term enhanced solo residential provision is developed. Two/three multi-building registrations are proposed. One to apply additional capacity to an existing Manchester in-house residential resource and the others with a commissioned provision with a trusted provider. These would be delivered as an internal service and that the commissions would be a direct award. These services would support children presenting in A&E/paediatrics, currented admitted on ward and or in tier 4 acute provision with unstable placement/no place to return up to 18 years. The cost of this investment is £1.4m in total, in line with current Multi-Agency Resourcing Arrangements circa the revenue cost of the provisions will be met by the Council, £1m and the balance will be supported by Health. It is anticipated that this provision will reduce the need for high-cost	915			915	15

	external residential placements, the cost saving is estimated to be £366k per annum.					
Children's Safeguarding	**Short Breaks -** Provides disabled children and young people with a chance to spend time away from their parents, relax with friends and have fun. They also provide families with a break from their caring responsibilities. Not all children and families will need the same level of short breaks, and some will need more than others because of the impact of their child's disability or their individual family circumstances. If a child qualifies for a specialist's short break they can receive support via a grant, a direct payment for the cost of the child's activities and services. The current short break's budget is overspent due to a rise in the number of children that qualify and want a direct payment.	125			125	
Children's Safeguarding	**Social Work International Recruitment -** In March 2020, Children's Services introduced a 5-year workforce strategy which set out the ambition to develop, build and maintain a stable, talented, and confident workforce which is key to supporting the Council to be judged 'good to better' by Ofsted. The strategy included a range of proposals including service redesign, stronger performance management, workforce initiatives and the application of market rate supplements. Implementation of the strategy has led to a reduction the staff turnover. However, nationally there is a growing shortage of children's social workers in the UK, this in turn has led to nationally councils' spending on agency staff has increased sharply in five years. Whilst number of agency workers has not reached levels it has in many councils Manchester has had to increase its use children agency workers this year, the current position is not sustainable. To attract diverse and experienced social workers the city is looking to recruit from abroad. **Social Work Vacancy Factor -** In 2022/23 the Council proposed an additional 1% workforce saving. This saving was arrived at by increasing budget assumptions on rate of vacancies and not assuming employees would be at the top of their salary scale. The budget assumptions applied to Children's Social Work need to be adjusted	748			748	

Children's Safeguarding	**Family Group Conferencing -** Is a family-led meeting in which the family and friends network come together to plan for a child. The process is supported by an independent coordinator who helps the family prepare for the family group conference. Children are usually involved in their own family group conference, often with support from an advocate. It is a voluntary process and families cannot be forced into one. Where successful it helps children remain within their families whilst improving their lived experience. Research confirms that placing children in kinship foster care helps them maintain important family and community connections. The Directorate is looking to set-up another FGC team.	250			250	8
Children's Safeguarding and Education	**Foster Care Recruitment and Project Management -** Mockingbird scheme enables foster parents are to support other foster parents, this is a critical strategy for foster parent retention. Carers cite that they quit because they feel a lack of support for the responsibility they have taken on. FGC and Mockingbird outlined in are just two measures the Fostering service is looking to develop to promote kinship care and increase the number of internal foster care placements over a period. The service plans that future recruitment campaigns will focus on utilizing existing foster parents to help recruit additional foster homes. Rather than relying on general marketing campaigns and setting up tables at fairs – which increase public awareness but have not always been effective recruitment strategies. The service's focus is on supporting existing foster parents as partners to recruit prospective foster parents from their own networks. This is known to work. Additional budget is required to publicise, and project manage this approach.	98			98	1
Children's Safeguarding	**Family, Drugs, Alcohol Courts -** Parental substance misuse is a common reason for families becoming involved with children's social care in England. FDAC aims to help parents address their substance misuse issues, improve family functioning and reduce the need for children to enter care. This is a multi-disciplinary service model which aims to improve the coordination of services for families, such as social services, substance abuse treatment,	164			164	

	therapeutic services, domestic abuse intervention, employment, and housing. This package of support is overseen by a court, which monitors parent's compliance and administers rewards and sanctions. Manchester is looking to invest in this alternative to traditional care proceedings with other Greater Manchester Combined Authorities.					
Children's Safeguarding	**Placement and Home to School Transport pressures -** Due to national shortage of placements the Local Authority where appropriate is having to place children in external residential provision, this is adding pressure to the placement's budget. Manchester is looking to increase capacity through Take a Breath and development of local residential provision. Delay in implementation of route planning software may lead to pressures in bringing the HTST budget back into balance.	1,000			1,000	
Total		**3,300**	**0**		**3,300**	**24**
Inflation						
Education	**Home to School Transport –** This is a statutory service and provides transport to eligible children at the start and end of the school day. The total budget for this service is £9.7m p.a. The increasing number of pupils with Education, Health, and Care plans (EHCP) because of increasing levels of need have resulted in more individualised and specialised packages of support being put in place. In addition, the extension of Education, Health, and Care Plans (EHCPs) to young people aged up to the age of 25 has seen an increasing number of young people eligible and requiring transport for longer. The service is currently overspent by £2.5m, of which £1m is inflation, relating to: fuel costs, driver availability and vehicle maintenance costs. The full year effect of inflation is expected to be an additional £0.5m next financial year. The service is planning to manage the balance of the pressure, estimated to be £1.1m, by working with parents and carers to co-design the response and through route planning, re-commissioning of routes, and the promotion and support of independent travel training, where appropriate. In order to balance	500			500	

	the budget next year, it is of paramount importance that the route planning software is implemented in time for the new academic year.					
Children's Safeguarding	**Internal placements -** Manchester has always sought to internal foster carers. Current inflation and cost of living pressures will need to be recognised in order to support carers.	1,966			1,966	
Children's Safeguarding	**First Home Grant for Carer Leavers -** is aimed to help young care leavers establish themselves independently for the first time. Currently the grant can be to a maximum of £2k, the impact of inflation has not been recognised for several years. Following an assessment on the rising cost associated with the move to independence it is the Directorate's view that the grant be uplifted to £3k, the impact of this proposal is estimated to be £113k. Winter Payment for Care Leavers - about 413 Care Leavers live in their own tenancy and or are responsible for paying utility bills. It is proposed that they would receive £10 per week for 6 months winter payment, at cost of £108k. Feedback received from Care Leavers that received this payment this year and is that it has made a huge difference to young people. This payment has been paid this year from a grant, at this stage MCC is not expecting the grant next year.	221			221	
Total		**2,687**			**2,687**	
Demography						
Children's Safeguarding	Budget identified for demographic growth in Children's and Education Services. The demand has been determined based on the demographic numbers on which the 2020/21 budget was set compared to the current	2,072	2,125	2,174	6,596	
Education		285	294	305	884	

	position and potential increase in demand informed by 3% population growth predictions.					
Total		**2,357**	**2,419**	**2,479**	**7,22 5**	

Appendix 3: Indicative Medium-term budgets by service

Service Area	2022/2023 Budget £'000	2023/2024 Indicative Budget £'000	2024/2025 Indicative Budget £'000	2025/2026 Indicative Budget £'000
LAC Placements	48,433	51,593	50,508	49,945
LAC Placement Services	7,210	7,478	7,478	7,478
Cared 4 Children & Leaving Care	14,533	15,623	15,623	15,623
Children Safeguarding Service Areas	36,723	37,477	37,127	37,127
Education Services	6,668	6,793	6,442	6,091
Home to School Transport	11,883	12,668	12,853	12,852
Targeted Youth Support Services	841	841	841	841
Children's Strategic Management and Business Support	5,761	5,761	5,761	5,761
Total	**132,052**	**138,234**	**136,633**	**135,718**

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Appendix 4: Indicative Medium-term budgets by type of spend / income

Children and Education Services Budget	**2022/2023 £000**	**2023/2024 Indicative £000**	**2024/2025 Indicative £000**	**2025/2026 Indicative £000**
Expenditure:				
Employees	64,395	70,814	70,850	70,535
Running Expenses	463,552	530,011	527,848	522,964
Capital Financing Costs	358	358	358	358
Contribution to reserves	1,402	1,748	48	48
Sub Total Subjective Expenditure	**529,707**	**602,931**	**599,104**	**593,905**
Less:				
Other Internal sales	1,109	1,109	1,109	1,109
Gross Expenditure	**528,598**	**601,822**	**597,995**	**592,796**
Income:				
Government Grants	386,955	451,144	451,512	448,361
Contributions from Reserves	2,966	4,760	2,166	1,033
Other Grants Reimbursements and Contributions	5,162	6,221	6,221	6,221
Customer and Client Receipts	1,415	1,415	1,415	1,415
Other Income	48	48	48	48
Gross Income	**396,546**	**463,588**	**461,362**	**457,078**
Total Net Budget	**132,052**	**138,234**	**136,633**	**135,718**

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Appendix 5: Grant Summary

Grant Description	Service Area	2022/2023 £000	2023/2024 Indicative £000	2024/2025 Indicative £000	2025/2026 Indicative £000
Dedicated Schools Grant	Schools	342,750	365,990	382,990	382,990
Pupil Premium	Schools	24,099	24,646	24,646	24,646
School Improvement Grant	Schools	424	-	-	-
Universal Infant Free Schools	Schools	3,798	3,748	3,748	3,748
Youth Justice Board	Children's	1,161	1,419	1,419	1,419
Unaccompanied Asylum Seekers	Children's	9,693	9,683	9,683	9,683
LASPO – Remand	Children's	687	657	657	657
Childrens Workforce Dvpt Council	Children's	25	-	-	-
Troubled (Supported) Families Grant	Children's	3,782	3,782	3,782	3,782
Key Stage Two Stat Moderation Grant	Education	17	-	-	-
Staying Put Grant	Children's	517	517	517	-
Adoption Support Fund	Children's	-	3	3	3
Assessed and Supported Year of Employment Grant	Children's	-	116	116	116
Devolved Formula Capital (DFC)	Schools	-	637	637	637
Extended PA Grant	Children's	-	191	191	191
Family Hubs	Children's	-	1,546	1,895	1,895
Keeping Children & Young People Safe: Drama Therapy	Children's	-	73	73	73
Mainstream Schools Additional Grant (MSAG)	Schools	-	17,000	-	-
Music Grant incl. Add Funds Re TPS Relief	Schools	-	967	967	967
National Probation Service (NPS)	Children's	-	10	10	10
NIHR 302070 Fellowship Award	Children's	-	31	31	31
PE & Sports Grant	Schools	-	1,889	1,889	1,889
PFI Grant Wright Robinson	Schools	-	3,290	3,290	3,290
PFI Grant Oasis Temple	Schools	-	373	373	373

Post-16 Pupil Premium Plus - Virtual Schools Pilot	Education	-	325	325	325
Pupil Premium Grant (PPG) LAC	Schools	-	2,415	2,415	2,415
Recovery Premium	Schools	-	3,541	3,541	3,541
Rough Sleeping Grant	Children's	-	116	116	
Reducing Parental Conflict	Children's	-	96	96	
Safe Taskforce	Schools	-	1,427	1,427	
School-led Tutoring Grant	Schools	-	5,682	5,682	5,682
Staying Close	Children's	-	471	490	
Transformation Grant (YJ)	Children's	-	100	100	
Turnaround Grant	Children's	-	376	376	
Young Women's & Girls Fund	Children's	-	29	29	
Government Grants Totals		**386,955**	**451,144**	**451,512**	**448,361**

Manchester City Council
Report for Information

Report to: Health Scrutiny Committee – 8 February 2023

Subject: Public Health Budget 2023-26

Report of: Director Public Health

Summary

Members will recall that at the November round of scrutiny meetings the Council was forecasting an estimated budget shortfall of £112m over the three years with £44m in 2023/24. As part of the action to address the budget shortfall officers identified potential savings options of £42.3m over three years, of which there were savings options of £1m within the remit of this scrutiny committee.

The provisional financial settlement announced 19 December reflected a change in government policy in relation to funding inflation and Social care pressures. This has given the opportunity to review the quantum and phasing of savings. It is now proposed that options of £36.2m are progressed, of which £0.730m is within the remit of this scrutiny committee.

This report provides a further update to members on the priorities for the services in the remit of this committee and details the changes to the initial revenue budget options proposed by officers in November 2022.

Each scrutiny committee is invited to consider the current proposed changes which are within its remit and to make recommendations to the Executive before it agrees to the final budget proposals on 15 February 2023.

Recommendations

The Health Scrutiny Committee is recommended to:-

1. To consider and comment on the forecast medium term revenue budget; and
2. Consider the content of this report and comment on the proposed changes which are relevant to the remit of this scrutiny committee.

The Executive is recommended to approve these budget proposals.

Wards Affected: All

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

Equality, Diversity and Inclusion - the impact of the issues addressed in this report in meeting our Public Sector Equality Duty and broader equality commitments
Consideration has been given to how the proposed savings could impact on different protected or disadvantaged groups. Where applicable proposals will be subject to completion of an Equality Impact Assessment (EqIA) and an Anti Poverty Assessment.

Manchester Strategy outcomes	**Summary of how this report aligns to the OMS/Contribution to the Strategy**
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	The effective use of resources underpins the Council's activities in support of its strategic priorities as set out in the Corporate Plan which is underpinned by the Our Manchester Strategy.
A highly skilled city: world class and home grown talent sustaining the city's economic success	
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	
A liveable and low carbon city: a destination of choice to live, visit, work	
A connected city: world class infrastructure and connectivity to drive growth	

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

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

The changes included within this report will, subject to Member comments and consultation, be included in the final 2023/24 revenue budget set by Council on 3 March.

Financial Consequences – Capital

None directly arising from this report.

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Background documents (available for public inspection):

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

Revenue Budget Report - Executive Meeting 16 February 2022

Medium Term Financial Strategy 2022/23 to 2024/25 -Executive Meeting 16 February 2022

Health and Social Care – Adults Social Care and Population Health Budget 2022/23 - Executive 16 February 2022

Resource and Governance Scrutiny – 6 September 2022

Revenue Monitoring to the end of July 2022 and Budget update 2023/24 to 2025/26 - Executive 14 September 2022

1. Introduction and Purpose

1.1. The report sets out the final proposals for the Public Health budget programme 2023-26. It sets out an overview of the services within the remit of this scrutiny committee and the key priorities. The budget growth assumptions in the Medium Term Financial Plan (MTFP) are set out. The report provides an updated set of proposals for further savings for 2023-26, developed in the context of the financial challenge facing the Council, for final comments by Health Scrutiny.

2. Service Overview and Priorities

2.1. The Manchester Public Health Team is responsible for commissioning Children's Public Health (including Health Visiting and School Nursing Services), Wellbeing (addressing wider determinants such as housing and work alongside support to reduce smoking, reduce levels of obesity and increase physical activity), Sexual Health (treatment and prevention), and Drug and Alcohol (treatment and prevention) Services for the city. In addition, the Public Health Team leads the delivery of the city's Age Friendly Manchester programme. The team is also responsible for leading and contributing to strategic partnership work to reduce inequalities in the city and leading the city's Health Protection (infection control, immunisation programmes) and Health Intelligence (Joint Strategic Needs Assessment) functions.

2.2. Following the publication of 'Build Back Fairer in Greater Manchester: Health Equity and Dignified Lives' (University College London Institute of Health Equity) the Public Health team led the development of Manchester's own action plan - Making Manchester Fairer (MMF) - that describes the actions that the city will take to reduce health inequalities in the aftermath of the pandemic, with a focus on the social determinants of health: the conditions in which people are born, grow, live, work and age.

2.3. MMF is made up of eight themes:

- Early Years, Children and Young People
- Poverty, Income and Debt
- Work and Employment
- Prevention of Ill- Health and Preventable Deaths
- Homes and Housing
- Places, Transport and Climate Change
- Systemic and Structural Racism and Discrimination
- Communities and Power

2.4. Investment of £3m has been identified from Council Public Health reserves (£1m is contained within the Childrens Services budget report). The expectation is schemes will deliver savings to the health and social care system and wider including Education, Work and Skills and Homelessness. The use of reserves is within the overall Reserves Strategy, as part of the MTFP, with the recommended drawdown in line with reserves policy.

2.5. Two kickstarter schemes have been prioritised for investment for phase 1 of the Making Manchester Fairer Investment Fund. The schemes are challenged with delivering the MMF plan's principles, improving health equity and also demonstrating an 'invest to save' approach. The schemes prioritised for investment are (i) Improving Health Equity for Children and Young People, and (ii) Early Help for Adults Experiencing Multiple and Complex Disadvantage. The Making Manchester Fairer Investment Sub-Group has continued to meet during this period to consider and support the development of these business cases.

2.6. The first scheme, Improving Health Equity for Children and Young People will focus on children, young people and their families who are most affected by health inequalities including those most affected by the cost of living crisis, communities that experience inequalities and young people who are at increased risk of mental ill-health as a result of their lived experiences and/or identity. The scheme is expected to address the widening gap in school readiness for children in early years, through a holistic approach working with schools and families. It will also engage with young people, communities, and wider partners to identify issues in mental wellbeing support and the opportunities for prevention of mental ill-health in order to reduce inequalities.

2.7. The second scheme, Early Help for Adults Experiencing Multiple and Complex Disadvantage, is being delivered in the context of Bringing Services Together for People in Places, and the delivery of multi-agency case management. The target group is adults experiencing multiple barriers to health and wellbeing including homelessness, mental ill health, substance misuse, unemployment. A significant number of this cohort will also have experienced adverse childhood experiences compounding these factors, by growing up in challenging social conditions. The scheme will build on learning from the Changing Futures Pilot and will develop the service design and delivery to expand the programme to ensure that the kickstarter works with cohorts and groups that were missed in the first pilot. In the short-term individuals should see successful engagement with other support services, and improvement in individuals' physical and mental wellbeing. The long-term goal is for individuals to thrive independently within their own communities.

2.8. The priority for 2022/23 has been to provide continued support for commissioned services in their recovery from the impact of the pandemic on their service delivery and their clients. The key metrics for commissioned services include:

Metric	**Q2 2022/23**	**Q2 2021/22**
% of smokers who successfully quit at 4 weeks of interventions (NICE target 35%)	62.20%	45.50%
% of health visitor visits to new births (within 2 weeks) (England average 88%)	88.00%	87.00%
% of dependent alcohol users who successfully complete treatment (Comparable local authorities average 40%)	33.90%	31.50%
% of adults attending 10-12 weeks of Tier 2 weight management interventions	69.00%	71.40%

% of NHS Health Checks received by the total eligible population	42.00%	27.00%

2.9. In Q2 2022/23, 62.2% of smokers in contact with services had successfully quit 4 weeks after the intervention which is higher than the figure for the equivalent period in 2021/22 (45.5%) and the NICE recommended level of 35%. The percentage of new births visited by a health visitor within 2 weeks in Q2 2022/23 (88.0%) was slightly higher than that seen in Q2 2021/22 (87.0%). The performance of weight management services as measured by the percentage of adults attending 10-12 weeks of Tier 2 weight management interventions has fallen slightly from 71.4% in Q2 2021/22 to 69.0% in Q2 2022/23*. The percentage of dependent alcohol users in treatment who successfully completed treatment in Q2 2022/23 (33.9%) was higher than that seen in the equivalent period in 2021/22 (31.5%). In Q2 2022/23, 42% of the total eligible population in Manchester received an NHS Health Check. This compares with to 27.0% of the eligible population in the equivalent period of 2021/22 suggesting that delivery has increased since the drop due to COVID pressures. Manchester is the 3rd highest ranked authority in the Northwest region (out of 23 LAs) for delivering NHS Health Checks and the 9th highest ranked nationally (out of 152 authorities) **.

*The higher-than-average performance achieved by the Weight Management Service in 2021/22 was linked to the receipt of a substantial grant from Office of Health Improvement and Disparities (OHID). By Q1 2022/23, this grant was withdrawn.

**NHS Health Check delivery is low nationally and has been slowly recovering post COVID. The NW region is the best performing region in England for delivering NHS Health Checks.

2.10. The health of the people in Manchester has generally been worse than the England average across a range of outcome measures with a worsening of health outcomes in Manchester starting to become apparent in the years prior to the start of the Coronavirus (COVID-19) pandemic in 2020. The pandemic has had the effect of accelerating and strengthening that pre-existing trend. Recently published data on life expectancy at birth over time in Manchester compared with England shows that life expectancy has fallen, i.e. got worse for both males and females in Manchester in the 3-year period 2019-21 compared with the previous period of 2018-20.

2.11. In addition, we have developed a Population Health Recovery Framework based on the following three pillars:

- Healthy People (recognises the impact of social disadvantage and socio-economic circumstances on health outcomes)
- Healthy Places (recognises the geographical inequalities within Manchester and between Manchester and other parts of the region and country)
- Health Equity (recognises the groups of people and communities that face additional multiple and compounding barriers, prejudice or discrimination

owing to factors such as race, sexual orientation, disability, and migrant status)

Each pillar has a “flagship” programme of activity to address the root causes and wider determinants of health inequalities alongside the broader partnership working to create the conditions for healthy lives.

2.12. The three “flagship” programmes are:

- Healthy People - Manchester’s Wellbeing Model to improve the wellbeing of Manchester’s residents based on the level of support people need to look after their own health and wellbeing
- Healthy Places - Winning Hearts and Minds to work in, and with, communities to improve heart and mental health across the city, with a particular focus on North Manchester
- Health Equity- COVID-19 Health Equity Manchester to address the disproportionate adverse impact of COVID-19 on specific communities in Manchester and ensure the legacy of COVID-19 is that lessons learned are implemented and improve the broader health outcomes of these communities

2.13. The flagship programmes are integral to the Making Manchester Fairer Action Plan.

3. <u>Service Budget and Proposed Changes</u>

3.1. The service has a gross 2022/23 budget of £45.989m and a net budget of £42.685m. Income of £3.304m includes Better Care Fund £0.960m, contributions from health £1.290m and other income of £1.054m which includes grants.

3.2. Public Health is funded nationally through a specific ringfenced grant. However Greater Manchester locality has been part of a government pilot for a number of years whereby the funding ringfence is removed and an equivalent allocation received as an adjustment to business rates.

3.3. The position in 2022/23 regarding the public health contracts with local authorities and the associated pay costs with the NHS pay rises is that the 2022/23 Public Health Grant included an uplift to pay agreed cost increases to contracted NHS providers

Table 1: Base budget 2022/23

Service Area	2022/23 Gross budget	2022/23 Net Budget	2022/23 Budgeted posts (FTE)
	£'000	£'000	£'000
Public Health Core	4,229	3,300	57.30
Public Health - Children's Services	4,222	4,222	
Early years - Health Visitors	10,676	10,676	
Drugs and Alcohol	9,384	8,989	
Sexual Health	9,214	8,295	
Wellbeing (includes ZEST)	7,819	6,758	
Other	445	445	12.00
Total	**45,989**	**42,685**	**69.30**

3.4. In November 2022, this Scrutiny Committee was presented with £1m of cuts and saving options relating to services within the remit of this committee, for consideration. The provisional settlement on 19 December reflected a significant change in government policy and provided more funding then initially expected. This has given the opportunity to review the quantum and phasing of savings. It is now proposed options of £0.730m are progressed which are detailed in **Appendix 1**.

3.5. In the context of austerity and the national public health challenges post pandemic, the approach to the development of savings has been extremely difficult. The work has been informed by:

(i) The challenging position across a range of Public Health outcome measures with a worsening of health outcomes in Manchester since the pandemic;
(ii) Reducing pressures on the wider health and social care system by ensuring that upstream cost effective prevention programmes are maintained;
(iii) The need to protect the Drug and Alcohol service budget linked to new national investment conditions relating to the new national 10-year Drug Strategy, From Harm to Hope; and
(iv) The scale of previous Public Health savings programmes.

3.6. The proposals detailed have been identified as deliverable without impacting on delivery of public health commissioned services in the city. The proposed savings programme (£0.730m) is detailed in **Appendix 1** and summarised in the table below

Table 2: Proposed Savings Programme

	2023/24 £'000	2024/25 £'000	2025/26 £000	Total £'000
November Scrutiny	**1,000**	**0**	**0**	**1,000**
Savings withdrawn	-270	0	0	-270
Revised Target	**730**	**0**	**0**	**730**
Comprising:				
Disestablish Public Health Vacancies	90			90
Use of 2022/23 underspend	330	(330)		0
MCR Active	30			30
Headroom in budget set aside for contract uplifts	280	330		610
Total	**730**	**0**	**0**	**730**

3.7. The following savings have been withdrawn:

(i) Children's (£0.270m) – the savings proposed is withdrawn.

3.8. The emerging pressures are detailed in **Appendix 2**. There are no budget pressures currently reflected in the MTFP. As per the Spending Review, it was announced the public health grant will remain the same in real terms which will significantly undermine the ability of local systems to reduce health inequalities without further investment in prevention by the NHS. However current levels of inflation will significantly erode spending power unless a further increase in grant is confirmed. The Public Health financial settlement has not yet been announced.

3.9. If the proposed changes are approved, the three-year budget position is shown in **Appendix 3**. **Appendix 4** also provides a subjective analysis of expenditure and income.

4. Workforce Implications

4.1. The savings proposals outlined at **Appendix 1** will have a limited internal workforce impact due to the roles being disestablished being vacant and planned. This is part of the wider review of roles and responsibilities as resource is shifting back to business as usual after the heightened focus on COVID-19 for the last three years.

4.2. Vacancy Factor

The Council's establishment is fully budgeted for at the top of the grade. In reality there are vacancies caused by staff turnover, recruitment difficulties and staff employed throughout the grade scale. In order to avoid budgeting for costs that will not be required and making bigger cuts elsewhere, adjustments are being made to reflect these issues by applying a vacancy factor to recognise that vacancies will always exist. The continued challenges in filling posts also means that the council is working hard on ensuring we are an employer of choice and can attract people and minimise the pressures on our existing workforce.

5. Equality and Anti Poverty Impact

5.1. Consideration has been given to how the proposed savings could impact on different protected or disadvantaged groups. Where applicable proposals will be subject to completion of an Equality Impact Assessment (EqIA) and an Anti Poverty Assessment as part of the detailed planning and implementation. At this stage no direct impacts on people and specifically MCC priority protected characteristics have been identified.

6. Future opportunities and Risks

MMF Action Plan

6.1. The MMF Action Plan (above) focuses on the social determinants of health and requires all agencies to contribute to improving the conditions in which Manchester's residents are born, grow, live, work and age. The implications and impact of the cost-of-living crisis, in 2022 initially, will affect the lives of many residents in the city and may reduce the scale of the outcomes intended to be achieved through the MMF Action Plan in the short-term.

Drug and Alcohol Programmes

6.2. The new national 10-year Drug Strategy, From Harm to Hope, plans to cut crime and save lives and is underpinned by a clear recognition that illegal drugs cause damage to our society, affecting both individuals and neighbourhoods. The collective ambition of the strategy is to achieve a generational shift in the country's relationship with drugs and to reduce overall drug use through three overarching priorities:

- Break supply chains
- Deliver a world class treatment and recovery service
- Achieve a shift in the demand for recreational drugs

6.3. From Harm to Hope recognises the need for alignment between national expectations and local delivery. A local outcomes framework will be introduced to sit alongside the national outcome framework detailed in the strategy and will cover all three of the strategic priorities. The £780m national funding also includes the extension of the time limited Office of Health Improvement and Disparities (OHID) Section 31 Grant for reducing crime, reducing harm, and reducing drug related deaths.

6.4. In April 2022, OHID announced the Supplementary Substance Misuse Treatment and Recovery Grant (SSMTRG) funding scheme, to support local delivery of the strategy. Local authorities' use of the SSMTRG should directly address the aims of the treatment and recovery section of the drug strategy. The outcomes are ambitious, and on a national basis, the additional funding aims to deliver:

- 54,500 new high-quality treatment places including:
- 24,000 more people in long-term recovery from substance dependency

- 800 more medical, mental health and other professionals
- 950 additional drug and alcohol and criminal justice workers
- Adequate commissioning and co-ordinator capacity in every local authority

6.5. Local delivery of these ambitions aims to drive an improvement in the quality of the service for Manchester residents, ensure more people can access our community treatment services, and support a reduction in the number of caseloads of our practitioners and clinicians delivering substance misuse services. Manchester has been identified as an 'enhanced area', benefitting from greater investment in year 1 with 51 new full time posts to be added to the workforce. The table below outlines the funding allocation for Manchester:

	2022/23 Confirmed	**2023/24 Indicative**	**2024/25 Indicative**
SSMRTG	£1,461,249	£2,394,242	£4,621,419
Inpatient Detoxification Grant	£138,535	£138,535	£138,535

6.6. Challenges in the specialist substance misuse workforce have seen delays to recruitment in Year 1 (2022/23) of the SSMTRG. This is a local position reflected nationally. The Office of Health Improvement and Disparities (OHID) have established a regional working group to support recruitment and retention in the sector. Challenges also prevail in expanding the estate of the substance misuse provider to respond to the increased workforce within the allocated timelines, as grant underspends cannot be carried forward year on year.

6.7. Manchester has been awarded a Section 31 Grant for delivery of 'Individual Placement Support' (IPS) to provide employment support within alcohol and drug treatment services. The funding is from the Department of Work & Pensions (DWP) and OHID and will support Manchester citizens engaged in treatment services to secure employment.

The table below outlines the funding allocation for Manchester:

	2022/23 Confirmed	**2023/24 Confirmed**	**2024/25 Confirmed**
Individual Placement Support	£84,606	£162,073	£167,077

6.8. Additional funding has also been made available over the next three years (Year 1 2022/23) to fund a menu of housing support options to improve the recovery outcomes for people in treatment (or in contact with the treatment system) with a range of housing support needs. The grant will be funded by the Department of Levelling up, Housing & Communities and OHID. Manchester is awaiting official confirmation of our allocation.

Wellbeing Services

6.9. We intend to re-visit work on the Citywide Wellbeing and Prevention Model (paused due the COVID-19) to review and revise, in collaboration with commissioned community services, the delivery of community prevention services to achieve better alignment and avoid duplication in service delivery across the city. As a first stage of this work the buzz Community Development Team transferred from Greater Manchester Mental Health NHS Trust (GMMH) into MCC Neighbourhoods Directorate on 1.1.23.

Children's Public Health Services

6.10. The current contract for the School Health Service (5-19 years programme) expires in April 2023. We intend to extend for twelve months under current arrangement. In the period Nov 22-April 24 we intend to co-design a new service specification that consolidates the current separate contracts (Healthy Schools, School Nurse, Healthy Weight, Accident Prevention, School Immunisations) into a single 5-19 Healthy Child Programme (HCP) School Health Service. The new service specification will have new KPIs, a service model that reflects available resource and post pandemic priorities, and will be co-designed with stakeholders including the Local Care Organisation and the Strategic Director of Children and Education Services.

Appendix 1 - Savings Schedule

Service	Description of Saving	Type of Saving	RAG Impact	Amount of Saving				Indicative FTE Impact
				2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000	
Directorate	Disestablish Public Health Vacancies	Efficiency	These savings have been identified as deliverable without impacting on delivery of public health commissioned services in the city	90			90	3
Directorate	Use of 2022/23 underspend	Efficiency		330	(330)		0	None
Children's	Children's PH 5-19- due to changing and challenging circumstances regarding staffing, service delivery and finance it is the commissioning intention to review and revise the service model and specification	Efficiency		Withdrawn				None
Directorate	MCR Active - removal of budget intended to contribute to the development, implementation and licensing of the digital single pathway to design a 'one stop shop' for ALL Sport & Physical Activity opportunities. Whilst this causes a delay, MCR are confident in securing alternative financing arrangements for this development	Efficiency		30			30	None
Directorate	Headroom in budget set aside for contract uplifts	Efficiency		280	330		610	None
Total				**730**	**-**	**-**	**730**	3

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Appendix 2 - Pressures / Growth Schedule

Service	Description of Pressure	Amount of Pressure			
		2023/24	2024/25	2025/26	Total
		£'000	£'000	£'000	£'000
Total		**0**	**0**	**0**	**0**

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Appendix 3: Indicative Medium term budgets by service

Service Area	2022/2023 Budget	2023/2024 Indicative Budget	2024/2025 Indicative Budget	2025/2026 Indicative Budget
	£'000	**£'000**	**£'000**	**£'000**
Public Health Core	3,300	3,210	3,210	3,210
Public Health - Children's Services	4,222	4,222	4,222	4,222
Early years - Health Visitors	10,676	10,676	10,676	10,676
Drugs and Alcohol	8,989	8,989	8,989	8,989
Sexual Health	8,295	8,295	8,295	8,295
Wellbeing (includes ZEST)	6,758	6,758	6,758	6,758
Other	445	- 195	- 195	- 195
Total	**42,685**	**41,955**	**41,955**	**41,955**

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Appendix 4: Indicative Medium term budgets by type of spend / income

Corporate Core	2022/2023 Budget	2023/2024 Indicative Budget	2024/2025 Indicative Budget	2025/2026 Indicative Budget
	£'000	**£'000**	**£'000**	**£'000**
Expenditure:				
Employees	2,575	2,485	2,485	2,485
Running Expenses	43,414	44,574	43,274	42,774
Sub Total Subjective Expenditure	**45,989**	**47,059**	**45,759**	**45,259**
Less:				
Other Internal sales				
Gross Expenditure	**45,989**	**47,059**	**45,759**	**45,259**
Income:				
Contributions from Reserves	-	- 1,800	- 500	-
Other Grants Reimbursements and Contributions	- 1,054	- 1,054	- 1,054	- 1,054
Other Income	- 2,250	- 2,250	- 2,250	- 2,250
Gross Income	**- 3,304**	**- 5,104**	**- 3,804**	**- 3,304**
Total Net Budget	**42,685**	**41,955**	**41,955**	**41,955**

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Manchester City Council
Report for Resolution

Report to: Health Scrutiny Committee – 8 February 2023

Subject: Adult Social Care Budget 2023-26

Report of: Executive Director of Adult Social Services

Summary

Members will recall that at the November round of scrutiny meetings the Council was forecasting an estimated budget shortfall of £112m over the three years with £44m in 2023/24. As part of the action to address the budget shortfall officers identified potential savings options of £42.3m over three years, of which there were savings options of £10.025m within the remit of this scrutiny committee.

The provisional financial settlement announced 19 December reflected a change in government policy in relation to funding inflation and social care pressures. This has given the opportunity to review the quantum and phasing of savings. It is now proposed that options of £36.2m are progressed, of which £8.542m is within the remit of this scrutiny committee.

This report provides a further update to members on the priorities for the services in the remit of this committee and details the changes to the initial revenue budget options proposed by officers in November 2022.

Each scrutiny committee is invited to consider the current proposed changes which are within its remit and to make recommendations to the Executive before it agrees to the final budget proposals on 15 February 2023.

Recommendations

The Committee is recommended to:

(1) To consider and comment on the forecast medium term revenue budget; and
(2) Consider the content of this report and comment on the proposed changes which are relevant to the remit of this scrutiny committee.

The Executive is recommended to approve these budget proposals

---

Wards Affected: All

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

Equality, Diversity and Inclusion - the impact of the issues addressed in this report in meeting our Public Sector Equality Duty and broader equality commitments
Consideration has been given to how the proposed savings could impact on different protected or disadvantaged groups. Where applicable proposals will be subject to completion of an Equality Impact Assessment (EqIA) and an Anti Poverty Assessment. as part of the detailed planning and implementation. Further detail is provided at section 5.

Manchester Strategy outcomes	**Summary of how this report aligns to the OMS/Contribution to the Strategy**
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	The effective use of resources underpins the Council's activities in support of its strategic priorities as set out in the Corporate Plan which is underpinned by the Our Manchester Strategy
A highly skilled city: world class and home grown talent sustaining the city's economic success	Our work to strengthen the care market includes a focus on recruitment and retention, supported by a continued commitment to enable the care market to pay the Real Living Wage in 2023/24
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	Our work to deliver Better Outcomes Better Lives is designed in particular to make a contribution to creating a progressive and equitable city – through working with our communities, our people and assets to improve outcomes for those who need support
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 changes included within this report will, subject to Member comments and consultation, be included in the final 2023/24 revenue budget set by Council on 3 March.

Financial Consequences – Capital

None directly arising from this report.

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

Revenue Budget Report - Executive Meeting 16 February 2022
Medium Term Financial Strategy 2022/23 to 2024/25 -Executive Meeting 16 February 2022
Health and Social Care – Adults Social Care and Population Health Budget 2022/23 - Executive 16 February 2022
Resource and Governance Scrutiny – 6 September 2022
Revenue Monitoring to the end of July 2022 and Budget update 2023/24 to 2025/26 - Executive 14 September 2022

1. Introduction and Purpose

1.1. The report sets out the final proposals for the Adults Social Care budget for 2023/24 to 2025/26. It provides:

(i) An overview of Adult Social Care services and key priorities

(ii) A detailed overview of the budget, including:

- the financial requirements to conclude the existing three-year Better Outcomes Better Lives savings programme;
- the budget growth assumptions for the service as set out in the Council's Medium Term Financial Plan (MTFP);
- an updated set of proposals for the necessary savings for 2023-26, developed in the context of the financial challenge facing the Council, for final comments by Health Scrutiny, with notable changes from the previous proposals; and
- Detail of the additional funding announcements made in the Autumn Statement and included in the provisional finance settlement and the recommendations made for how this funding is deployed.

1.2. Whilst the focus of this report is on adult social care, the positioning within Manchester Local Care Organisation (MLCO) is of key importance because of the integrated and maturing approach to joined-up operational service planning. The key components of the financial plan have been developed together, to mitigate and collaboratively manage the need to deliver financial targets in social care and health. Joint financial planning ensures the impact of any plans in health or social care work across the system. This overall approach is beginning to show benefits, evidenced through the stable financial position in 2022/23 relative to many other localities.

1.3. Strong joint financial leadership is ensuring the process and the outcomes of the joint financial planning work better in Manchester. There is also a significant financial challenge within health contracts. The discipline and approach through Better Outcomes Better Lives (BOBL) is now being applied to wider system change and used to deliver the Resilient Discharge Programme through driving strengths based, person centred practice with a real focus on home first when leaving hospital.

2. Service Overview and Priorities

2.1. Manchester City Council's Adult Social Care (ASC) services support people who have been assessed and meet the national eligibility criteria for care and support under the Care Act 2014. Following an assessment, a support plan sets out how the needs of people will be met and services are arranged to meet that need and help people to continue to live as independently as possible.

2.2. This support ranges from advice and information (minimal cost) to very intensive services. Whilst the Care Act 2014 places a statutory duty on ASC to meet assessed needs and outcomes it does not prescribe how these should be met. In discharging its statutory duty ASC retains discretion to determine how an individual's needs and outcomes should be met within available resources. Adults Eligibility: The Care and Support (Eligibility Criteria) Regulations 2014 sets out the eligibility criteria and determines the circumstances in which an adult meets the eligibility criteria.

2.3. In Manchester, we support a large number of Manchester residents with social care needs. At 31st December 2022 (latest complete figures) we supported:

	31st Dec 2021	**31st Dec 2022**
Older people (long term support to 65+)	2,995	2,945
Younger adults (long term support to 18-64)	2,371	2,350

These figures include:

	31st Dec 2021	**31st Dec 2022**
Adults with learning disabilities (long term support)	1,220	1,189
Adults with mental health needs (long term support)	738	774
People we support are living in the community	3,735	3,812
People in residential care	1,072	971
People in nursing care	575	516

We provide:

	31st Dec 2021	**31st Dec 2022**
Homecare to	1,863	1,933
Homecare commissioned hours (weekly)	29,516	31,234
Supported accommodation to	680	691
Support via shared lives schemes to	182	184
Support via an extra care scheme or apartment	113	121
Cash personal budget or Individual Service Fund	650	642

Rolling 12 months:

	31st Dec 2021	**31st Dec 2022**
Items of equipment and adaptations were installed/provided	10,207	10,989
Blue badges were issued	7,270	8,162
People benefitted from our core reablement service	1,612	1,610
Carers were assessed	1,512	1,675
Safeguarding enquiries were opened for individuals	6,203	5,803

2.4. The adult social care budget is invested in ensuring that Manchester citizens can stay independent, safe and well. In Manchester, we organise our investment into:

(i) *Long-term care supporting older and more vulnerable people* in the most appropriate arrangements to support independence, better outcome and better lives This includes investment in services including supported accommodation settings, care homes, home care services and day services;

(ii) *Short-term care interventions*, which are very much focused on preventing, reducing and delaying long-term support through maximising independent. This includes investment in equipment and adaptations, technology-enabled care and our in house reablement services. Over 60% of citizens accessing our reablement services don't have an ongoing care need following the short term intervention. Our carers pathway ensures that we work closely with partners to provide help earlier in a carer's 'caring journey' to equip them with knowledge, information, resources and advice they need to help them continue caring and avoid going into crisis;

(iii) The *supporting social worker/assessment and management infrastructure* which we have invested in to ensure that all assessments and reviews are focused on strengths and that our statutory duties are met.

2.5. Whilst the fundamental priority for Adult Social Care in 2023/24 remains the safe, effective delivery of our statutory duties as outlined above in the Care Act 2014 as well as our duties in the Mental Capacity Act and the Mental Health Act, we always put citizens at the centre of everything we do.

Service Transformation and Priorities

2.6. In January 2021 we commenced delivery of a major transformation programme, building on the Adult Social Care Improvement Programme – Better Outcomes, Better Lives (BOBL). BOBL is a long-term programme of practice led strengths based change, which aims to enable the people of Manchester to achieve better outcomes with the result of less dependence on formal care. The programme has been essential to delivering the 2021-2024 savings programme, and progress has been regularly reported to Health Scrutiny committee.

2.7. Given the positive work so far, and the continued opportunities, our work on Better Outcomes, Better Lives will continue in 2023/24 through phase 4 of the programme with a focus on:

(i) **Front Door** - Work to change how services are configured at the front door, following initial contact via the Contact Centre, is progressing citywide, with the new model launching July 2023. This will ensure that we are effectively reducing, delaying and preventing demand through further embedding the strength-based approach to practice-led change at every opportunity. Opportunities which will be realised include offering earlier interventions, reducing demand for care act assessments and a shift of workload from the Integrated Neighbourhood teams and other community teams, all resulting in a more timely offer and better outcomes.

(ii) **TEC/Digital –** further increasing the number of people given the opportunity to access Technology-Enabled Care (TEC). TEC helps people to remain in their own homes, maintain their independence and improve their personal safety. Work is ongoing to drive further uptake in certain parts of the city and continue to embed the ‘think TEC and digital first’ approach across the organisation.

(iii) **Continuing to progress strength-based review** work including focused work in learning disability services.

2.8. In addition, working across the work and health care system we are focused on delivering the **Resilient Discharge Programme** – focused on maximising the impact on patient flow, from hospital settings, with increased ‘safe’ discharge rates and a consistent Home First offer building on the learning from BOB.

2.9. Aligned to our work on BOBL we will continue to be focused on:

(i) Ensuring we have the right internal capacity to support all of our work, recognising our staff are our most valued asset and are key to supporting our wider change programme and delivery of statutory duties;
(ii) Strengthening our work to safeguard adults in Manchester;
(iii) Strengthening our partnership arrangements and governance with GMMH through the new section 75 arrangements;
(iv) Implementation of Liberty Protection Safeguards;
(v) Preparation for the forthcoming CQC regulation and inspection;
(vi) Working with colleagues in Housing and other partners to ensure the right supply of accommodation for vulnerable adults in the city; and
(vii) Continuing to support the care market intensively, aligned to our Commissioning Plan and performance and quality regime. Our approach to fees including annual fee uplifts will be critical to this.

2.10. Additionally, as set out in section 4 below and Appendix 1 we will now be progressing at pace with a set of additional transformation opportunities including work on our day services offer (internally and externally) and our wider in house provider services (including supported accommodation and short breaks). These are significant additional change programmes which will require the right planning and engagement over a sustained period.

2.11. In July 2022 Manchester Health and Care Commissioning (MHCC) – the CCG in Manchester, ceased to exist with responsibility for health commissioning moving to the newly formed Greater Manchester Integrated Care System

(ICS). ASC within the MLCO will be working with colleagues to ensure that this change is beneficial for Manchester residents and that we are continuing to work to strengthen the MLCO and maximising opportunities for integration including in our collective commissioning of the external market.

Funding Reforms Update

2.12. Key elements of the ASC reform programme, notably the funding reforms (new financial cap and thresholds), have been delayed for two years (until October 2025). Local authorities are still required to submit and publish their final Market Sustainability Plans (submission and publications dates are to be confirmed at the time of writing by DHSC). The output of the Fair Cost of Care exercise was required to be published by 1 February, which has now been completed.

2.13. The Government has reconfirmed the outcome of the Fair Cost of Care exercise is not intended to be a replacement for the fee-setting element of local authority commissioning processes or individual contract negotiation. However local authorities are expected to use the insight gained from their cost of care exercises to support their commissioning and contract negotiation for the relevant services in practice. The approach to fee setting for 2023/24 will be informed by the outcome of the Fair Cost of Care research and also with due regard to the requirements of the Care Act and DHSC's 2022 policy, "Market Sustainability and the Fair Cost of Care Fund guidance", with a view to ensuring a stable market.

Further Integration of Health and Adult Social Care through the Manchester Local Care Organisation (MLCO)

2.14. The MLCO is the partnership vehicle in Manchester for the delivery of health, care and wellbeing services. Through the MLCO, services have been able to work in a more integrated way to support people with a learning disability and the delivery of services in our neighbourhoods.

2.15. The s75 agreement between Manchester Foundation Trust and the Council enables joint accountability for service design and delivery and to support an increasing integrated approach where that adds value for our staff and residents.

2.16. During 2023/24, the MLCO Executive will continue to explore and mobilise these opportunities and some of the priority areas are:

(i) Embed a Population Health Management methodology through the INTs working with Primary Care Networks (PCNs) and wider community partners to address key population health challenges (such as diabetes, hypertension, Cardio-Vascular Disease (CVD) and bowel cancer screening take up);

(ii) Mobilise the refreshed INT Operating model maximising integration opportunities across health and care and working collaboratively at the service interface with wider neighbourhood partners, such as development of joint and blended roles and trusted assessment;

(iii) Support hospital discharge through the Resilient Discharge Programme (RDP) including development of the Transfer of Care Hub, control room, the development of the new model of bedded care and Virtual Wards;

(iv) Explore the opportunities to align the provision of therapy services and equipment services to support people to remain in their own homes, as well as opportunities to secure safe and timely discharge through D2A and step-down bedded care;

(v) Develop an aligned support services offer across our teams and explore opportunities provided by automated processes;

(vi) Deliver the MLCO Commissioning Plan, aligning the work across the deployed ASC and community health commissioning teams, as well as opportunities to work collaboratively across the commissioning of LD and autism, CHC and children’s services;

(vii) Build on the work started with the Children’s Directorate to proactively support the transition of children through to adults services, as well as embedding the Think Family approach into the MLCO service offer through Early Help and family safeguarding;

(viii) Provide joined up workforce support to our health and social care teams reducing vacancies through bespoke recruitment processes with strengthened connections to communities and reducing avoidable absence through proactive health and wellbeing support and case management; and

(ix) Agree, mobilise and measure the impact of actions delivered by community services to contribute to zero carbon including route mapping, prescribing practices, sharing of good practice approaches and opportunities to support sustainable travel.

3. Service Budget and Proposed Changes

3.1. The gross 2022/23 budget detailed in the table below is £258.615m and the net budget of £191.198m. Income of £67.417m includes client fees £24.997m, Better Care Fund £16.782m, contributions from health £7.513m and other income of £18.125m which includes grants and use of reserves. This includes the integration reserve, which is drawn down in accordance with the plan agreed for the year with NHS Greater Manchester – Manchester locality.

Table 1: Latest Approved Base budget 2022/23

Service Area	**2022/23 Gross budget**	**2022/23 Net Budget**	**2022/23 Budgeted posts (FTE)**
	£'000	**£'000**	**£'000**
Long Term Care:			
Older People/Physical Disability	75,960	45,617	-
Learning Disability	62,513	56,451	-
Mental Health	28,661	24,735	-
Disability Supported Accommodation Service	17,942	15,467	462.00
Investment funding	3,071	3,070	-
Sub Total	**188,147**	**145,339**	**462.00**
Short Term Care:			
Reablement/Short Term Intervention Team	9,555	7,408	270.00
Short Breaks/Respite/Day Centres/Neighbourhood Apartments	5,961	5,646	126.00
Equipment & Adaptations (inc TEC)	7,225	4,960	130.00
Carers/Voluntary Sector	3,591	3,292	-
Sub Total	**26,332**	**21,306**	**526.00**
Infrastructure and Back Office:			
Social Work Teams	21,081	16,557	377.00
Safeguarding/Emergency Duty	3,914	3,420	74.00
Brokerage/Care Home Teams	1,528	1,477	-
Management and support	17,613	3,098	157.00
Sub Total	**44,136**	**24,552**	**608.00**
Total	**258,615**	**191,197**	**1,596.00**

Winter Discharge Fund 2022/23

3.2. The government announcement of the winter discharge fund is to be deployed on relieving the pressures across hospital services through the resilient discharge programme. Winter planning arrangements have been implemented. The next three months are a critical period and it is expected all of the funding available (£2.2m direct to the Council and £3.8m through the GM ICS) will be deployed by 31st March in accordance with the plan agreed with partners.

Three Year Better Outcomes, Better Lives Financial Plan 2020-23

3.3. 2023/24 is the final year of the three-year BOBL savings programme with an agreed saving target of £3.477m. To support the planned phased delivery of the savings, a one-off use of reserves of £5.5m supported the budget in 2022/23. This leaves an already approved savings target of £8.977m to be delivered in 2023/24, plus proposals for a further £4.142m (within a proposed 3 year programme of £8.542m) outlined in this report. Proposals detailed later in Appendix 1 are in addition to pre-approved savings.

3.4. The BOBL programme has been successful in reducing demand and the remaining target is being met through:

- £0.5m from continuing the successful work programme focused on strength-based reviews in the Older People citizen group working to reduce demand;

- £2m targeted review in Learning Disabilities service to reduce demand through the optimisation of packages of care through enhanced use of TEC and reductions in emergency placements. A dedicated review team is being established;

- For Mental Health a range of priorities have been confirmed including reviewing discharge support planning and community inclusion services with Greater Manchester Mental Health Trust, a review programme aimed at step down and a specific GM funded pilot 'move on' programme within supported accommodation. In total a £1.5m target has been set;

- The 2022/23 budget included financial arrangements to invest in Discharge to Assess (D2A) beds in care homes, following completion of the hospital discharge programme funding on 31 March 2022. This care model is helping to reduce long term care home admissions and with the D2A intervention help facilitate citizens to return to their homes following a stay in hospital, some with a home care package. The expectation is for further benefits into ASC into 2023/24 estimated at £1.5m.

  The total across these areas is £5.5m.

3.5. There is expected to be no call on funding set aside for the demographic growth in citizen numbers in 2022/23 and a reduced call on the 2023/24 allocation. Together this is expected to contribute £3m towards closing the budget gap. Nationally it is reported that demographics are averaging 4% of net Adult Social Care budget. This gives a sense of the success of the BOBL programme in Manchester on demand management and the need to continue to have a strong grip on this programme of work to ensure continue delivery.

3.6. The balance of the existing savings (£0.477m) alongside emerging budget pressures (£1.889m) arising in 2022/23 are detailed within Appendix 2 and will be addressed through the expected headroom against long term care budgets in 2022/23.

3.7. The challenges facing Adult Social Care are reported and recognised nationally. As a result of the significant investment in the improvement programme and the transformation of the service through Better Outcomes Better Lives, the current financial outlook is relatively stable and in a good position to look at the next stage of service change and additional savings.

Savings Plan 2023-26

3.8. In November 2022, this Scrutiny Committee was presented with £10.025m of cuts and saving options relating to services within the remit of this committee, for consideration, as part of the effort to balance the Council's overall budget. The provisional settlement on 19 December reflected a significant change in government policy and provided more funding then initially expected. This has given the opportunity to review the quantum and phasing of savings. It is now proposed options of £8.542m are progressed which are detailed in Appendix 1.

3.9. In the context of austerity and the national challenges and ASC reform programme underway, the approach to the development of savings builds upon the previous work done to date and is cognisant of:

(i) BOBL as the underpinning strategy and the commitments already made to deliver the 2021-24 target, detailed earlier in the report and which in itself will be challenging to deliver;
(ii) Preventing potential for a negative impact on the wider health and social care system; and
(iii) The imperative to maintain the progress against the ASC improvement plan for social work infrastructure and improved practice to support and safeguard our most vulnerable citizens.

3.10. The proposals detailed are all considered deliverable but will be challenging to deliver, requiring significant service redesign, reconfiguration and effective change management. The proposals do enable citizen independence and outcomes to be protected or potentially improved but there will need to be an understanding by citizens, families and carers that in some cases care arrangements will have to change and needs may be met in alternative ways. This is integral if the budget strategy is to be achieved. A draft Equalities Impact Assessment has been for the Provider Services review work as the major programme of work delivering the majority of the savings areas which will impact in 2023/24, alongside the existing Better Outcomes, Better Lives programme. This builds on engagement work already completed on day services, and further engagement work underway and planned. In considering proposals, it is critical to be cognisant of the duty to meet eligible needs in cost effective ways.

3.11. The proposed savings programme (£8.542m) is detailed in Appendix 1 and summarised in the table below

Table 2: Proposed Savings Programme

	2023/24 £'000	2024/25 £'000	2025/26 £000	Total £'000
Provider Services	150	1,650	1,450	3,250
Workforce	1,217			1,217
Charges		50		50
Demand Management	2,275			2,275
Other	500	500	750	1,750
Total	**4,142**	**2,200**	**2,200**	**8,542**

3.12. The amendments to the savings programme from November 2022 are summarised in the table below. Following Scrutiny feedback and further work, a number of changes have been made, with the financial impact negated from additional resources available and detailed later in the report:

Table 3: Amendments to Additional Savings Programme

Item	Rationale	2023/24 £'000	2024/25 £000	2025/26 £000
November Scrutiny		**5,575**	**2,250**	**2,200**
Extra care (wellbeing charge)	***Defer.*** Substantial planning and consultation programme with users and landlords. New planned start date 1/4/24.	-50	50	
Community Alarms income	***Delete.*** Cost of living crisis and potential impact of clients withdrawing from scheme on ambulance call outs and potential increase in social care need	-150		
Reduce Vacancy Factor	***Reduce.*** Given extensive recruitment programme and use of agency in key roles, 6% is considered to be a more optimal vacancy factor	-383		
Day services – focus on complex clients	***Defer.*** Substantial review and assessment programme required. Requires full planning through 2023/24 and alignment to provider services review	-250	250	
Day services – Supported Accommodation	***Delete.*** Further analysis of cohort indicates insignificant opportunity. Focus will be on day services opportunity as above, and alignment to Provider Review	-250	-250	
Transport	***Reduce.*** In the context of new funding, proposed to take a more cautious approach to the programme development, reducing the target to £0.150m per year 2023-25	-100	-100	
CHC	***Delete.*** Delete 2023/24 target allowing further twelve months for partners to develop integrated approach to this area and joint commissioning improvements	-250		
Total		**-1,433**	**-50**	
Revised Savings Target		**4,142**	**2,200**	**2,200**

3.13. The proposed savings programme is grouped into key themes as follows:

(i) Provider Services (£3.250m)

This is a substantial redesign programme including in-house Supported Accommodation, Day Services, Transport arrangements and Short Breaks. The overall direction is to enable the service to support citizens with the most complex needs, whilst ensuring care arrangements for lower level needs are met in the most appropriate ways. It is intended to develop a new integrated multi-disciplinary MLCO offer for emergency placements preventing the use of the in-house short breaks service for supporting crisis situations. With regards to Transport, a number of options are under consideration with the key ones being to encourage independence through travel training initiatives, potential new criteria for accessing transport and set a charge for the service in line with service cost. The work on provider services has begun with the day services review over the last few months which included extensive engagement with citizens and their carers/families as well as data analysis. Further engagement work has now been completed on our wider Learning Disability commissioning priorities at the end of 2022 which will also feed into our work on provider services.

(ii) Workforce (£1.694m less £0.477m pressures £1.217m net)

Use of a vacancy factor is a normal budgeting practice. At any point in time, there is never a full establishment (vacancy data for 2019/20, 2020/21, 2021/22 and the current position, shows that Adult Social Care has never fallen below 150 FTE vacancies at any one time and can be significantly more) and a level of turnover is a healthy necessity. The increase of £1.694m results in a vacancy factor of 6%. For Grades 1 to 12 budgeting practice is at the top of the grade and it is unlikely that the whole of the ASC workforce will be at the top of the grade, providing some flexibility in terms of funding. The £0.477m workforce pressures relates to the full year effect of an increase in response officers capacity within Community Alarms (£0.114m) and a shortfall in the funding for social work capacity (£0.363m) implemented as part of the Covid-19 response in the 2022/23 budget.

(iii) Charges (£0.050m)

The choices on the budget are especially difficult this time and the impact of the cost of living situation is well understood and specific Council financial support is being directed. Where increases to charges are proposed, they have been carefully considered and significant subsidy arrangements maintained. Adult social care policy will continue to support the most vulnerable and especially those with disabilities through the Disability Related Expenditures scheme. The Care and Support (Charging and Assessment of Resources) Regulations 2014 set out examples of Disability Related Expenditure. The overall aim is to allow for reasonable expenditure needed for independent living.

- Extra care well being charge (£0.050m) - this is an additional amount on top of the rent, service charge and any care charges that apply. It is a charge that every resident in the scheme would pay. The proposal is for a wellbeing charge of £5-10 per person per week. This proposal is deferred one year whilst further work is undertaken.

- The proposal relating to Community Alarms has been withdrawn as per the table at 3.11.

(iv) Demand Management (£2.275m)

This target has been set for 2025/26 on the basis that the programme has delivered evidenced demand reductions to date and that there will continue to be opportunities to improve outcomes and independence of Manchester citizens and many of the Better Outcomes Better Lives arrangements will be fully embedded by then. This target will be the subject of more detailed consideration and review in the 2024/25 budget cycle and is in effect a commitment at this stage. Reserves will be used to cover the period 2023-25. The use of reserves is within the overall Reserves Strategy, as part of the MTFP, with the recommended drawdown in line with reserves policy.

(v) Other (£1.750m)

There are two components:

- Disabled Facilities Grant – the delivery of the major adaptations require input of occupational therapists, which can be charged to the grant - it is proposed to charge £0.5m to Disabled Facilities Grant and there is headroom within the programme to do so recurrently; and

- High cost joint funded packages - working with partners on opportunities to improve joint commissioning. In addition, there are a number of citizens within long term placements that are at or near the Continuing Health Care (CHC) threshold. If assessed to be eligible for CHC, funding the cost moves to health and citizens are not eligible for charges. Of key importance is ensuring citizens get the right level of care. A revised target of £1.250m has been set with no requirement to deliver savings in 2023/24.

Growth and Pressures 2023-26

As part of the budget process it is important that as well as having to find savings to balance the budget, that any service pressures are recognised and where unavoidable are correctly budgeted for, this allows for the better on going management of the service and budgets. These pressures are included in Appendix 2. They include the standard increases approved annually for demographic pressures and the uplift to care costs driven by the Council's commitment to pay the Real Living Wage to care staff. Current pressures reported in 2022/23 which have recurrent budget implications are also included and cover in-house supported accommodation, advocacy costs and deprivation of liberty standards (DOLS) best interest assessments.

3.14. The Council budgets for pay and prices inflation corporately and these will be allocated to Directorate budgets when known. An estimate of pay and price inflation is included at Table 5 below.

3.15. An investment of £1.3m per year 2023-26 will sustain the social work infrastructure and reablement capacity, supporting care models covering Crisis, Discharge to Assess and Manchester Case Management.

New Funding and Additional Investment Priorities

3.16. The Autumn Statement included a number of funding announcements of specific importance to social care and further details have been received as part of the provisional financial settlement and through the health announcements for the Better Care Fund (BCF). The key headlines are:

- ASC Discharge Fund (£4.451m 2023/24 increasing to £7.420m 2024/25) - this is intended to form part of BCF plans, aimed at reducing delayed transfers of care and the funding will need to be pooled with the NHS. The NHS is receiving the same amount to also put into BCF plans. The grant conditions are expected to be heavily focused on how they will support the NHS. The full deployment recommendations will be reported through Health and Wellbeing Board in line with the governance for the Section 75 agreement covering the BCF;

- Market Sustainability and Improvement Grant – Manchester received £1.800m in 2022/23, this is rolled forward and there is an additional £4.443m 2023/24 rising to £7.548m 2024/25. This grant is intended to assist local authorities to make tangible improvements to adult social care, and in particular to address: discharge delays; social care waiting times; low fee rates; workforce pressures; and to promote technological innovation in the sector;

- Social Care Grant (£18.8m 2023/24 rising to £25.7m 2024/25) - ringfenced for adults and children’s social care. This is funded nationally from the funding earmarked to fund the social care reforms which have been deferred until October 2025. The position post 2025 remains unclear and this allocation is not guaranteed;

- Social Care Precept - The council tax referendum limit will be 2.99% for local authorities, with social care authorities allowed an additional 2% social care precept. Within the overall budget recommendations it is proposed the ASC precept be used to support the adult social care market; and

- Better Care Fund – The BCF will continue in 2023/24 and 2024/25. Government will publish a policy framework in due course. The planning assumption is the minimum BCF contribution to social care will rise by a flat 5.66% at a health and well-being board level. This equates to £1.023m. The iBCF is not being increased for inflation.

3.17. The detailed budget recommendations on the use of the ASC Discharge Fund and Market Sustainability and Improvement Grant cannot be specific until further information from Government is released on objectives and conditions. At this stage indicative priorities are outlined.

3.18. ASC Discharge Fund – whilst further details on the grant conditions are awaited, the key priority areas identified are:

(i) To strengthen the Brokerage team and the Control Room;
(ii) To further invest in Discharge to Assess beds and new models of bedded care;
(iii) Investment in therapy reflecting the benefits of rehabilitation and functional support to promoting independence;
(iv) Funding for extra care schemes into the supporting care hours and the expansion programme in order that they can also be a key option supporting discharge;
(v) Further investment in Reablement to ensure continued positive outcomes from the delivery of the reablement service as it continues to grow and focuses on P1 discharges, alongside community support preventing admissions; and
(vi) To ensure the full year effect of discharge care packages Dec-Mar 2023 is fully funded in the base budget for 2023/24 and for on-going discharges into long term care.

3.19. The NHS is receiving the same amount to also put into BCF plans. Discussions are ongoing around shared priorities for discharge through the Resilient Discharge Programme.

3.20. Market Sustainability and Improvement Grant - reporting requirements regarding performance and use of funding to support improvement against the objectives are still to be announced. For financial planning purposes, the funding will be deployed in its entirety as part of the approach to the 2023/24 care costs uplift. The Social Care Precept will be similarly deployed.

3.21. Social Care Grant – the additional grant enables the overall budget recommendations to the Executive to strike a better balance on use of Council reserves. It will therefore be deployed in part to support the key pressures including demographics, the independent living fund, resources for which were rolled into the grant, and part of the funding package in development for the 2023/24 care costs uplift. In addition, the funding allows for some rephasing and amendment of the savings programme, detailed above, to reduce risk and reflect the further work undertaken since the initial proposals.

3.22. Finally, a number of key investments are recommended by the Director of Adult Social Services and summarised into areas of focus in the table below. It is proposed these are funded using the increase in BCF £1.023m with the balance allocated from the Social Care Grant. Overall, this will sustain and continue the improvement journey for adult social care, critically the work on effective demand management and ensuring care packages are appropriate and every opportunity to maximise individuals independence is considered and of note will also respond to the recommendations of the recent CQC test and learn pilot.

3.23. Recruitment to additional posts continues to pose challenges, particularly in certain role profiles, and until full recruitment is completed, there will be some headroom within the funding allocation that can provide some smoothing provision against the savings programme. Governance arrangements for the investment programme will be through BOBL Programme Board.

Table 4: Summary of Investment

	2023/24 £'000	**2024/25 £'000**	**2025/26 £'000**
Strengthening statutory functions	1,166	1,023	1,023
Effective demand management and supporting completion of the BOBL 3 year savings programme	717	703	655
Supporting the delivery of the new savings programme	189	386	306
Areas of demand pressures	1,046	896	971
Total	**3,118**	**3,008**	**2,955**

(i) **Strengthening statutory functions** – Supports the delivery of statutory duties in service areas where there is increasing complexity of case load, ensuring delivery of safe, effective services alongside supporting focus on BOBL and demand management through dedicated review capacity. Key areas are investment in learning disability teams, complex services including sensory and autism and the transitions team (also includes social work capacity for provider review). Overall 16.5 FTE. Funding will also sustain the carers pathway after depletion of reserves, which is critical to delivery of statutory duties in relation to carers as well as supporting demand management and cost avoidance. There is intent to look at investment in Mental Health subject to on-going discussions with partners.

(ii) **Effective demand management and supporting completion of the BOBL 3 year savings programme** – the focus is investment in the redesign of the front door. Expansion of prototype of the early support team, strengthening the front door, preventing and reducing care demand as well as demand for assessments and long-term interventions through community teams. This is recognised as integral to effective demand management and completion of the BOBL savings programme. There is also provision for on-going expansion in use of TEC and some refurbishment of short break facilities.

(iii) **Supporting the delivery of the new savings programme** - the project management and specialist expertise to deliver extensive service redesign of Provider Services in-house. Directly linked to the delivery of most significant savings programme for 2023/24 and beyond, ensuring programme grip and momentum, accountability, development of new model including complexity of estates, HR and housing issues as well as smooth transition of care arrangements for citizens currently supported in house and externally.

(iv) **Areas of demand pressures**– Manchester Equipment and Adaptations Partnership (MEAP) capacity to support increase in demand linked to increased uptake of TEC, operational capacity to support increase in demand for equipment and adaptations. Also some investment in Client Finance Services which has significant backlogs and investment is overdue to expand capacity. HR and programme capacity aimed at implementing recruitment strategies and continued strong BOBL governance and delivery respectively.

3.24. If the proposed changes detailed in paragraphs 3.3 - 3.6, 3.10 - 3.12 and 3.14 - 3.24 above are approved the three-year budget position is shown in Appendix 3). A summary of the key movements is shown in the table below.

Table 5: Summary of Proposed Budget Changes

Adult Social Care	**2023/2024 Indicative Budget**	**2024/2025 Indicative Budget**	**2025/2026 Indicative Budget**
	£'000	**£'000**	**£'000**
Opening Budget	**191,197**	**211,947**	**227,172**
2022/23 RLW from Corporate Inflation	3,500		
Removal of one-off reserves to support phased delivery of BOBL savings	5,500		
Budget pressures (Appendix 2)	1,889		
Integrated New Care Models	1,300		
Independent Living Fund	2,000		
Demographics	2,329	2,636	2,936
Market Sustainability Fund	4,443	3,105	
Adult Discharge Fund	4,451	2,969	
ASC Precept	2,027	2,274	0
Additional funding - Real Living Wage / FCoC	3,495	6,093	4,053
Investment Plan	3,118	-110	-53
BCF Uplift 23/24	-1,023		
Corporate inflation allocation	2,729	457	2,011
Demand Management and New Savings:			
Long term care budgets	-5,500		
Savings approved in 2021/22 budget setting (BOBL Year 3)	-3,477		
Headroom within 2022/23 budget assumptions	-1,889		
Amended Additional Savings Programme	-4,142	-2,200	-2,200
Total Changes	**20,750**	**15,224**	**6,747**
Total Cashlimit	**211,947**	**227,171**	**233,919**
Estimated Pay Inflation	5,437	3,868	3,938
Total Adult Social Care	**217,384**	**231,039**	**237,857**

3.25. Appendix 4 provides a subjective analysis of expenditure and income and Appendix 5 provide an objective analysis of the 2023/24 budget to also set out the key areas of income.

3.26. In line with the approach introduced 2022/23, long-term care budgets will be reset and realigned to reflect the full year effect of client numbers as at 31 March 2023 and the impact of winter, specifically the volume of discharges coming through the hospital system. It is expected the financial impact will be met from within the funding available in 2023/24 from the adult discharge fund. This has not been forecast at this stage, due to the uncertainty and potential volatility within the health and social care system presently and will be reported and incorporated into the 2023/24 base budget early in the new financial year.

4. Workforce Implications

4.1. The Recruitment Programme led by HROD is ongoing with a focus on facilitating recruiting to vacancies at pace. This includes innovative ways of advertising and recruiting to ensure we are positioned in the market as an attractive employer. Whilst there has been some success, recruitment progress remains challenging due to the competitive and limited labour market, alongside the high number of vacancies we have sought to fill during this time. The number of vacancies reflects the increase in establishment due to previous investment monies alongside turnover. There are also a number of vacancies currently being held (see below at 4.5). We expect recruitment to remain challenging in the immediate future, due to a national shortage of social care workers.

4.2. The investment streams referred to earlier in this report will result in a significant number of additional posts being established within the directorate. These will be incorporated within the Recruitment Programme and a schedule has been drafted to support with sequencing recruitment in order for posts with the highest impact to be prioritised. Some of the new posts will provide opportunities for internal progression.

4.3. Whilst the Charging Reforms work has been delayed for 2 years, it is worth noting that this will result in a demand for additional assessment capacity on a national scale which is likely to have wider implications on the ability to recruit locally once the number and role definition of the additional roles is concluded.

4.4. The savings proposals outlined at Appendix 1 will likely have a limited workforce impact due to vacant roles in the two main service areas of review (Day Services and the Disability Supported Accommodation Service) currently being held (covered by agency in the interim). This supports the wider review to take place and should mean that once proposals are reviewed and ready to be implemented, there should be minimal impact on permanent staffing.

4.5. If the proposals to focus on more complex citizens are implemented within DSAS, this will require a review of current roles and structures to ensure the requirements of the new service offer can be met. The workforce impact is difficult to fully define until the ongoing Provider Services review is concluded.

4.6. <u>Vacancy Factor</u>

The Council’s establishment is fully budgeted for at the top of the grade. These budgets are not fully utilised as a result of vacancies caused by staff turnover, recruitment difficulties and staff employed at various points in the grade. In order to avoid budgeting for costs that will not be required and making bigger cuts elsewhere, adjustments are being made to reflect these issues by applying a vacancy factor to recognise that vacancies will always exist. The continued challenges in filling posts also means that the council is working hard on ensuring we are an employer of choice and can attract people and minimise the pressures on our existing workforce. This includes work focused on recruiting qualified social workers, as well as a significant recruitment campaign into our reablement services. Support has also been provided to the care market given wider recruitment and retention challenges affecting adult social care.

5. Section 75 Arrangements

5.1. Under section 75 of the National Health Service Act 2006, local authorities and NHS bodies can enter into partnership arrangements for the exercise of certain NHS functions by NHS bodies and certain health-related functions of local authorities. Section 75 provides for three flexibilities that NHS Bodies and local authorities can use: pooled budgets, lead commissioning and integrated provision.

Better Care Fund

5.2. The Council and Manchester Clinical Commissioning Group entered into a Section 75 Better Care Fund Agreement in March 2022. The S75 Agreement sets out the terms on which the Partners have agreed to collaborate and to establish a framework, through which the Partners can secure the future position of health and social care services through Lead Commissioning Arrangements or Joint Commissioning Arrangements in relation to the BCF and IBCF. On 1 July 2022, the MCCG ceased to exist and was replaced by the GM ICB. On 1 July 2022, the S75 Agreement was transferred from MCCG to the GM ICB.

5.3. There is a requirement to update the financial contributions within the document once the final Better Care Funding allocations are published and this is done through delegated authority to the Deputy Chief Executive and City Treasurer and City Solicitor, in consultation with Executive Member. Any changes considered to be material need to be presented to the Executive for approval.

5.4. Each year the national BCF guidance is refreshed. This has not yet been released for 2023/24 and further consideration and update to local arrangements will be required in due course, with emphasis on joined up planning within the Health and Social Care System.

5.5. The following material changes are required for 2022/23:

(i) Revised minimum BCF contribution £18.071m. The 2021 Spending Review confirmed the NHS contribution to the BCF will rise in actual terms by 5.66% each year from 2022 to 2025. This included the minimum contributions to social care;

(ii) Revised iBCF allocation £31.749m an increase of 3%; and
(iii) Winter Discharge Fund
- the allocation to the Council of £2.222m
- the allocation to the GM ICB of £19.558m. Of the GM ICB 2022/23 allocation, £3.982m is allocated to Manchester.

5.6. The following changes are required for 2023/24:

(i) Revised minimum BCF contribution £19.094m;
(ii) iBCF – no change.
(iii) Adult Discharge Fund
- the allocation to the Council of £4.451m
- the allocation to the GM ICB of £17.659m. Of the GM ICB 2023/24 allocation, c£4m is expected to be allocated to Manchester.

5.7. The changes outlined above will be incorporated into the overall budget recommendations to the Executive.

5.8. In January 2023 a further government announcement was made regarding £200m national funding for discharging patients from hospital beds into step down beds to improve patient care and system flow, for the period to 31 March 2023. This funding will be channelled through the ICS. Local arrangements for Manchester are still in development. This funding may also be required to be included within the BCF.

Delivery of Integrated Health and Adult Social Care

5.9. As noted above, as part of achieving formal integration, a section 75 agreement was agreed between the Manchester University Foundation Trust (MFT) and Manchester City Council in 2021, to facilitate the effective delivery of integrated health and adult social care.

5.10. The adult social care workforce is already deployed into MLCO, working alongside health colleagues. Health and care budgets are aligned rather than pooled. There is scope to revise partnership arrangements in future, either by entering into a pooled budget in future, or by moving other Council services into MLCO. The agreement is for an initial term of three years.

5.11. The partnership arrangements between the Council and MFT set out that the Council agrees to delegate its adult social care functions to MFT in order to strengthen integration of community health and social care. This builds on the existing partnership arrangements set out in the 2018 Partnering Agreement. An under pinning financial framework sets out the agreed working principles and assumptions which will govern the financial arrangements between the Council and MFT for the operation of the aligned budgets. The Adult Social Care budget referred to in this report constitutes the Council contribution to the aligned budget.

5.12. The budget strategy for Adult Social Care, as detailed in this report, will also be incorporated into the S75 agreement with MFT and this will be included within the overall budget recommendations to the Executive accordingly.

6. Equality and Anti-Poverty Impact

6.1. Consideration has been given to how the proposed savings could impact on different protected or disadvantaged groups. Where applicable proposals have been subject to completion of an Equality Impact Assessment (EqIA) and an Anti-Poverty Assessment as part of the detailed planning and implementation. In particular, an initial EqIA has been completed pertaining to our in-house provider services as there are likely to be direct impacts on people and specifically MCC priority protected characteristics. The outcomes from equality impact work in particular are being built into the programme including ensuring that the advocacy is provided to citizens, that careful consideration is given to the way in which changes are communicated to citizens and their families and that the development of the new service model is developed through engagement with existing and future citizens, families and carers.

6.2. An update on work on equalities, diversity and inclusion in relation to the Better Outcomes, Better Lives programme was provided to the September Health Scrutiny Committee including work on the direct impact of a number of interventions being delivered on the programme. Work is also underway on the way in which equalities data is collected in ASC, supporting the ability to be better informed on the impact of changes being made to services.

6.3. As referred to at 3.11(iii) the implications of the impact of increases to the costs of living have been considered in relation to the specific proposals related to charging.

7. Future Opportunities and Policy Considerations

7.1. National strategy for autistic children, young people and adults: 2021 to 2026

The national autism strategy was published in 2021 with work underway at a Manchester level to respond. An Autism Strategy group has been established with involvement from a number of partners. This group recognises that there will be an increased demand for support for people with a diagnosis of autism which will need to be carefully managed and planned for across the health and care system. In recognition of this ASC has invested in a specialist commissioning and social work role to support this work, with additional operational roles identified through the investment described at 3.15 (i) above.

7.2. Liberty Protection Safeguards 2024

The Deprivation of Liberty Safeguards (DoLS) provide a legal process to review and, where appropriate, authorise arrangements for a person’s care or treatment which may amount to a deprivation of liberty, for people aged 18 and over in a care home or hospital. It provides key safeguards to protect the person’s human rights. In the summer government consulted on proposed changes to the Mental Capacity Act 2005 Code of Practice and implementation of a new Liberty Protection Safeguards system. The consultation outlined that the existing arrangements, if fully operationalised due to increased eligibility arising from recent case law, will lead to spiralling costs. In the governments preferred model, once embedded, it is expected there will be savings in comparison to the existing DOLS arrangements, albeit the implementation of the model will be complex and resource intensive. The budget pressures included for 2023/24 will be reviewed once implementation and transition arrangements are clear.

7.3. CQC Assurance

From April 2023, local authorities will be subject to regular assessment and assurance by CQC in relation to their statutory duties for Adult Social Care. CQC are in the process of designing and finalising the framework. Manchester City Council, were part of a 'test and learn' process ahead of April 2023 which piloted the approach in two local authorities nationally. The framework will be robust in evidencing local authorities' delivery of their statutory duties and will therefore require planning and capacity to support at a local level once introduced.

8. Conclusion

8.1. This report provides a comprehensive overview of ASC's service priorities in the context of setting the budget for 2023/24 and outline budget strategy for the following two year (2024-26).

8.2. Adult Social Care in Manchester has delivered significant improvement and transformation over the last four years, including the delivery of the Better Outcomes, Better Lives programme which is supporting ensuring that our citizens are enabled to stay well, safe and live independently, as well as managing demand into our services. The integration of Adult Social Care with community health services through the Manchester Local Care Organisation is also enabling improved arrangements around the discharge of citizens from hospital through the Resilient Discharge Programme.

8.3. The planned investments and savings in this report have been identified to ensure the continuation of this positive direction of travel and will enable a continued sustainable budget position into future years.

8.4. The Committee is asked to consider the content of this report and comment on the proposed changes which are relevant to the remit of this scrutiny committee.

9. Appendices

Appendix 1 – Additional Savings Schedule
Appendix 2 – Pressures Growth Schedule
Appendix 3 – Indicative Medium-Term Budgets by Service
Appendix 4 – Indicative Medium-Term Budgets by Type of Spend/Income

Appendix 5 – Indicative Service Budget with Income Analysis

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Appendix 1 – Additional Savings Schedule

Service	Description of Saving	Type of Saving	RAG Impact	Amount of Saving				Indicative FTE Impact
				2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000	
Provider Services								
Provider Services	**Day Services** - following the delivery of a day services review and associated findings, expand use of external capacity/focus on complex needs. This is intended to maximise the cost effectiveness of in-house day services by repositioning them to support citizens with more complex needs. This would mean reviewing people in expensive external day placements and moving them to in-house provision as well as reviewing people with low to moderate support needs in in-house provision and finding alternative provision in the community or with lower cost external providers (including VCSE as providers under contract).	Service Redesign	Limited impact on outcomes, consolidating model of care. Potential family dissatisfaction and complaints, engagement programme will be required This is part of a broader strategy to re-position day services as a whole and work by the transitions team and others to promote a range of options for people, including employment, facilitated by our strengthened supported employment offer		500	100	**600**	TBC
Provider Services	**Short Breaks** - this programme is intended to refocus in-house short breaks service through a new integrated MLCO offer to support emergency placements and supporting crisis situations. The financial saving will be within long term care	Service Redesign	Risk of not having an offer in place to support in crisis situations. Significant challenge to make operational		250	100	**350**	TBC
Provider Services	**Transport review** - The savings target represents a substantial redesign of the service model and charging basis. Delivery will be through a combination of significant increase in nominal charge, review of access criteria,	Service Redesign	Exploration of alternative transport models and options for access to day services. Potential for family dissatisfaction and complaints, engagement programme will be required	150	150		**300**	TBC

Service	Description of Saving	Type of Saving	RAG Impact	Amount of Saving				Indicative FTE Impact
				2023/24	**2024/25**	**2025/26**	**Total**	
				£'000	**£'000**	**£'000**	**£'000**	
	exploration of alternative transport models and encouraging independence through travel training initiatives		and aligned to the other proposals surrounding day services.					
Provider Services	**DSAS** - Transformation of in house supported accommodation to enable the service to support citizens with the most complex needs. Very significant change programme required with the potential to improve outcomes through more optimal approach to supporting most complex in-house including Transforming Care cohort, citizens placed in high cost packages (including out of area) and including those where joint or health funding arrangements are in place. Significant engagement with families will be required.	Service Redesign	Potential to improve outcomes through more optimal approach to supporting most complex. Repatriation and changing tenancy arrangements including for people currently supported in house where the outcome may be a move to being supported externally will inevitably lead to significant engagement requirements with families. Establishment restructuring and realignment (consolidate establishment to meet future needs). Requires full and comprehensive review of estate to ensure it is fit for purpose from a condition and fabric perspective and associated and capital investment.		750	1,250	**2,000**	TBC
<u>Workforce</u>								

Service	Description of Saving	Type of Saving	RAG Impact	Amount of Saving				Indicative FTE Impact
				2023/24	2024/25	2025/26	Total	
				£'000	£'000	£'000	£'000	
Directorate	**Increase Vacancy Factor** (£1.694m less workforce pressures £0.477m). Vacancy data for 2019/20, 2020/21, 2021/22 and the current position, shows that Adult Social Care has never fallen below 150 FTE vacancies at any one time and can be significantly more. The base budget 2022/23 includes a £1.992m vacancy factor, approximately 3% of the £61.363m employee budget. The increase of £1.694m increases the vacancy factor to 6%	Efficiency	High turnover has constrained progress with BOBL and budgeting for it includes an element of risk albeit managed. The number of established posts will remain the same and the service still able to recruit. The level of the vacancy factor will be adjusted annually to reflect recruitment and turnover levels.	1,217			**1,217**	None
Charges								
Extra care	**Implement wellbeing charge** This is an additional amount on top of the rent, service charge and any care charges that apply. It is a charge that every resident in the scheme pays, whether they receive care or not. Following introduction, the Service would expand the benefits of paying a Wellbeing Charge, for example, through an annual Wellbeing Check, working with local community health providers77 and public health so that the Charge does have an actual emphasis on Wellbeing. Through benchmarking, the highest rate of weekly wellbeing charges found is £40 per week. The lowest charge is £11 per week. The proposal is for a	Income Generation	Impact on most vulnerable during cost of living crisis		50		**50**	None

Service	Description of Saving	Type of Saving	RAG Impact	Amount of Saving				Indicative FTE Impact
				2023/24	2024/25	2025/26	Total	
				£'000	£'000	£'000	£'000	
	wellbeing charge of £5-10 per person per week							
Demand Management								
Directorate	Smoothing via Adult Social Care Reserve	Efficiency	None	2,275		(2,275)		None
Long Term Care	**Further demand management** – all care groups. This target has been set for 2025/26 and is therefore some time into the future. This is in addition to £10m identified in 2023/24 for demand management to support the existing budget gap. The target has been set on the basis that the programme has delivered evidenced demand reductions to date and that there will continue to be opportunities to improve outcomes and independence of Manchester citizens and many of the Better Outcomes Better Lives arrangements will be fully embedded by then. There is notably an expectation that TEC and the move to digital will be further advanced and the whole care market will have developed further through the reform agenda. Within the MLCO work will have progressed to optimise care models and this will also be impacting. The Fair Cost of Care programme should enable a sustainable care market and more appetite to work with the Council on developing care models in residential settings and particularly therapeutic	Efficiency	Prevent, reduce, delay through Better Outcomes, Better Lives remains the underpinning approach so should continue to have a beneficial impact on outcomes but will be challenging in face of national social care context			2,275	**2,275**	None

Service	Description of Saving	Type of Saving	RAG Impact	Amount of Saving				Indicative FTE Impact
				2023/24	2024/25	2025/26	Total	
				£'000	£'000	£'000	£'000	
	interventions. This target will be the subject of more detailed consideration in the 2024/25 budget cycle and is in effect a commitment at this stage							
<u>Other</u>								
Equipment and Adaptations	**Disabled Facilities Grant (DFG)** - Refinance assessment officers through DFG. In a case where an application is for DFG, the services and charges of an occupational therapist in relation to the relevant works are also specified for those purposes and can be considered as capital expenditure if included as part of the whole project costs of the adaptation. Whilst this normally applies to external capacity, consideration of DFG guidance is predicated on there being no substantive difference between using internal or external capacity for this purpose	Efficiency	Recharge of internal capacity to DFG includes a degree of audit risk	500			**500**	None
Learning Disability	**Joint funding/CHC and improving joint commissioning**. Of utmost importance is the right support from a clinical team having oversight of the citizens wellbeing and review responsibility for the package of care (a rights-based approach). There are a number of citizens within long term placements that are at or near the CHC threshold. The desired outcome includes an enhanced joint funding of packages and much more structured joint commissioning arrangements	Income Generation	Potential for tensions within partnership arrangements if not considered as an integrated opportunity. Improved outcome for citizens in terms of CHC care being non chargeable		500	750	**1,250**	None

Service	Description of Saving	Type of Saving	RAG Impact	Amount of Saving				Indicative FTE Impact
				2023/24	2024/25	2025/26	Total	
				£'000	£'000	£'000	£'000	
Total				**4,142**	**2,200**	**2,200**	**8,542**	

Appendix 2 - Pressures / Growth Schedule

Service	Description of Pressure	2023/24	2024/25	2025/26	Total
		£'000	**£'000**	**£'000**	**£'000**
Long term care – Demographics	A specific model for demographics allocations to the budget has been used for a number of years (DAS model) and considers the potential impact of population change on flow into Adult Social Care. A fundamental priority of Better Outcomes Better Lives (Prevent, Reduce Delay) is to manage demand well within the demographics allocation and to release some of this resource as part of completing the Better Outcomes Better Lives three-year savings programme. The signals in 2022/23 are in line with expectations, with demographics pressures running well below the national average. There is a strong focus on ensuring, through strength-based arrangements, that packages are the most appropriate and aimed at maintaining independence as much as possible and this will continue further through into 2023 and with a stronger ambition on how the Front Door can be used more effectively	2,329	2,636	2,936	**7,901**
Long term care -	The element of the 2022/23 uplift to care rates funded through corporate price inflation	3,500			**3,500**
New Care Models	Investment to sustain the integrated New Care Models - the social work infrastructure and a contribution to the cost of Reablement, supporting integrated care models covering Crisis, Discharge to Assess and Manchester Case Management.	1,300	0	0	**1,300**
Long term care and investment into ASC-	Taking into account all of the funding announcements for Social Care inclusive of the BCF, this component of resources, will be reconfigured to support both the investments detailed and the care sector fee uplift inclusive of Real Living Wage	5,590	5,983	4,000	**15,573**
Long term care	Independent Living Fund - resources for which were rolled into the social care grant in lieu of the separate grant previously received	2,000			**2,000**
Long term care	Market Sustainability Fund	4,443	3,105		**7,548**
Long term care	Adult Discharge Fund	4,451	2,969		**7,420**
Long term care	Social Care Precept	2,027	2,274		**4,301**
Subtotal	**Pressures funded through additional resources in MTFP including Social Care Grant**	**25,640**	**16,967**	**6,936**	**49,543**
2022/23 Pressures with recurrent implications 2023/24					

Service	Description of Pressure	2023/24	2024/25	2025/26	Total
		£'000	**£'000**	**£'000**	**£'000**
Provider Services – Disability Supported Accommodation Service	There is a significant budget pressure on DSAS in 2022/23. A significant proportion of which is recurrent and reflects the net growth in internal capacity which is utilised. The expansion covered 60 units at Scout Drive, Freshwater and Northfields, 26 units have been closed in specific properties in line with the business case. Overall capacity has been expanded by 35%. This service is subject to full redesign as outlined. The investment is to bring the budget to a more stable position and address the significant overspend	1,500	-	-	**1,500**
Safeguarding	Best interest and mental health/mental capacity assessments – external capacity including mental health/mental capacity act assessments to being carried out by Independent Section 12 Doctors as can't be completed by internal Best Interest Assessors	229	-	-	**229**
Commissioning	The service is working towards a new advocacy contract being in place from 1/6/2023. The current budget is £0.668m. The additional investment is to move towards a service which has sufficient capacity to respond to statutory advocacy requirements in a timely manner, which has development capacity to respond to future demand growth and places the service on the best footing to manage the challenges that will come with LPS implementation from 1/4/24. There is an expectation that additional requirements will be addressed via some additional ring-fenced government funding at that point, however the new contract requires progress as soon as possible. Future implications will be part of the 2024/25 budget process accordingly.	160	-	-	**160**
Subtotal	**Pressures funded through demand management within ASC**	**1,889**			**1,889**
Total		**27,529**	**16,967**	**6,936**	**51,432**

Appendix 3: Indicative Medium term budgets by service

Service Area	2022/2023 Budget	2023/2024 Indicative Budget	2024/2025 Indicative Budget	2025/2026 Indicative Budget
	£'000	£'000	£'000	£'000
Long Term Care:				
Older People/Physical Disability	45,617	49,200	49,491	49,666
Learning Disability	56,451	56,351	55,491	54,742
Mental Health	24,735	23,235	23,396	23,479
Disability Supported Accommodation Service	15,467	16,543	15,911	14,721
Investment funding	3,070	21,039	37,564	46,044
Sub Total	**145,339**	**166,367**	**181,852**	**188,652**
Short Term Care:				
Reablement/Short Term Intervention Team	7,408	7,551	7,551	7,551
Short Breaks/Respite/Day Centres/Neighbourhood Apartments	5,646	5,373	5,223	5,223
Equipment & Adaptations (inc TEC)	4,960	4,403	4,403	4,403
Carers/Voluntary Sector	3,292	3,292	3,292	3,292
Sub Total	**21,306**	**20,619**	**20,469**	**20,469**
Infrastructure and Back Office:				
Social Work Teams	16,557	17,006	17,006	17,006
Safeguarding/Emergency Duty	3,420	3,708	3,708	3,708
Brokerage/Care Home Teams	1,477	1,477	1,477	1,477
Management and support	3,098	- 348	- 348	- 348
Investment Plan	-	3,118	3,008	2,955
Sub Total	**24,552**	**24,960**	**24,850**	**24,797**
Total	**191,197**	**211,947**	**227,172**	**233,919**

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Appendix 4: Indicative Medium term budgets by type of spend / income

Adult Social Care	**2022/2023 Budget**	**2023/2024 Indicative Budget**	**2024/2025 Indicative Budget**	**2025/2026 Indicative Budget**
	£'000	**£'000**	**£'000**	**£'000**
Expenditure:				
Employees	66,153	69,081	69,521	68,218
Running Expenses	192,290	199,048	211,831	218,127
Capital Financing Costs	171	171	171	171
Contribution to reserves	-	-	-	-
Sub Total Subjective Expenditure	**258,614**	**268,300**	**281,524**	**286,516**
Less:				
Other Internal sales	-	-	-	-
Gross Expenditure	**258,614**	**268,300**	**281,524**	**286,516**
Income:				
Government Grants	- 2,343	- 359	- 359	- 359
Contributions from Reserves	- 15,438	- 4,836	- 2,275	-
Other Grants Reimbursements and Contributions	- 333	- 333	- 333	- 333
Customer and Client Receipts	- 24,997	- 25,497	- 26,007	- 26,527
Other Income	- 24,305	- 25,328	- 25,378	- 25,378
Gross Income	**- 67,417**	**- 56,353**	**- 54,352**	**- 52,598**
Total Net Budget	**191,197**	**211,947**	**227,172**	**233,919**

Note
The use of reserves is within the overall Reserves Strategy, as part of the MTFP, with the recommended drawdown in line with reserves policy.

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Appendix 5: Indicative Service Budget with Income Analysis

Service Area	2023/2024 Indicative Gross Budget	Client Fees	Better Care Fund (BCF)	Health Income	Other Income	2023/2024 Indicative Net Budget
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Long Term Care:						
Older People/Physical Disability	79,235	- 16,311	- 9,395	- 2,054	- 2,275	49,200
Learning Disability	60,513	- 3,482	- 680	-	-	56,351
Mental Health	27,161	- 2,687	- 637	- 590	- 12	23,235
Disability Supported Accommodation Service	19,188	- 1,402	- 234	- 449	- 561	16,543
Investment funding	23,039	-	-	-	- 2,000	21,039
Sub Total	**209,135**	**- 23,882**	**- 10,946**	**- 3,093**	**- 4,848**	**166,367**
Short Term Care:						
Reablement/Short Term Intervention Team	9,698	- 45	- 1,880	- 221	-	7,551
Short Breaks/Respite/Day Centres/Neighbourhood Apartments	5,688	- 147	-	- 167	-	5,373
Equipment & Adaptations (inc TEC)	6,550	- 627	- 469	- 1,051	-	4,403
Carers/Voluntary Sector	3,291	-	-	-	-	3,292
Sub Total	**25,227**	**- 820**	**- 2,349**	**- 1,439**	**-**	**20,619**
Infrastructure and Back Office:						
Social Work Teams	21,529	-	- 2,025	- 2,499	-	17,006
Safeguarding/Emergency Duty	4,202	-	- 437	- 57	-	3,708
Brokerage/Care Home Teams	1,528	- 51	-	-	-	1,477
Management and support	3,061	- 244	- 2,048	- 426	- 691	- 348
Investment Plan	3,118	-	-	-	-	3,118
Sub Total	**33,438**	**- 296**	**- 4,510**	**- 2,981**	**- 691**	**24,960**
Total	**267,800**	**- 24,997**	**- 17,805**	**- 7,513**	**- 5,538**	**211,947**

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Manchester City Council
Report for Resolution

Report to:	Communities and Equalities Scrutiny Committee – 7 February 2023 Executive – 15 February 2023
Subject:	Neighbourhood Directorate 2023/24 Budget
Report of:	Strategic Director (Neighbourhood Services)

Summary

Members will recall that at the November round of scrutiny meetings the Council was forecasting an estimated budget shortfall of £112m over the three years with £44m in 2023/24. As part of the action to address the budget shortfall officers identified potential savings options of £42.3m over three years, of which there were savings options of £1.564m within the remit of this scrutiny committee.

The provisional financial settlement announced 19 December reflected a change in government policy in relation to funding inflation and social care pressures. This has given the opportunity to review the quantum and phasing of savings. It is now proposed that options of £36.2m are progressed, of which £119k is within the remit of this scrutiny committee.

This report provides a further update to members on the priorities for the services in the remit of this committee and details the changes to the initial revenue budget options proposed by officers in November 2022.

Each scrutiny committee is invited to consider the current proposed changes which are within its remit and to make recommendations to the Executive before it agrees to the final budget proposals on15 February 2023.

Recommendations

The Committee is recommended to:

1. To consider and comment on the forecast medium term revenue budget; and
2. Consider the content of this report and comment on the proposed changes which are relevant to the remit of this scrutiny committee.

The Executive is recommended to approve these budget proposals.

Wards Affected: All

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

Equality, Diversity and Inclusion - the impact of the issues addressed in this report in meeting our Public Sector Equality Duty and broader equality commitments
Consideration has been given to how the proposed savings could impact on different protected or disadvantaged groups. Where applicable proposals will be subject to completion of an Equality Impact Assessment (EqIA) and an Anti-Poverty Assessment.

Manchester Strategy outcomes	**Summary of how this report aligns to the OMS/Contribution to the Strategy**
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	The effective use of resources underpins the Council's activities in support of its strategic priorities as set out in the Corporate Plan which is underpinned by the Our Manchester Strategy. Providing the leadership and focus for the sustainable growth and transformation of the City's neighborhoods and highways
A highly skilled city: world class and home-grown talent sustaining the city's economic success	Ensuring residents are connected to education and employment opportunities across the city
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	Creating places where residents actively demonstrate the principles of Our Manchester through participation and take responsibility for themselves and their community whilst encouraging others to do the same, supported by strong and active community groups.
A liveable and low carbon city: a destination of choice to live, visit, work	Creating places where people want to live with good quality housing of different tenures and effective use of the highways network; clean, green, safe, healthy, and inclusive neighbourhoods; a good social, economic, cultural offer and environmental infrastructure.
A connected city: world class infrastructure and connectivity to drive growth	Ensuring residents, neighbourhoods, businesses and goods connect to local, national, and international markets. Through working with partners both internally and externally maximise the impact of the provision of new and enhanced physical and digital infrastructure.

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

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

The changes included within this report will, subject to Member comments and consultation, be included in the final 2023/24 revenue budget set by Council on 3 March.

Financial Consequences – Capital

None directly arising from this report.

Contact Officers:

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Background documents (available for public inspection):

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

Revenue Budget Report - Executive Meeting 16 February 2022
Medium Term Financial Strategy 2022/23 to 2024/25 -Executive Meeting 16 February 2022
Neighbourhoods Directorate Budget 2022/23 - Executive 16 February 2022
Housing Revenue Account 2022/23 to 2024/25 - Executive 16 February 2022
Resource and Governance Scrutiny – 6 September 2022
Revenue Monitoring to the end of July 2022 and Budget update 2023/24 to 2025/26 - Executive 14 September 2022

1. Introduction and Purpose

1.1 The report sets out an overview of the services within the remit of this scrutiny committee and their key priorities. The budget growth assumptions in the MTFP (Medium Term Financial Plan) are set out. The report provides a further update to members on the proposed savings for 2023-26 and highlights the key changes since the November scrutiny meeting. The savings have been developed in the context of the financial challenge facing the Council

2. Service overview and priorities

2.1. Neighbourhood Service Directorate has a wide range of services and employs over 1,800 staff. The Directorate works to improve the lives of Manchester residents and showcase the city to our millions of visitors every year. Our services work directly with the people of Manchester and together we want to make Manchester a better place to live, work and play. We have committed, via the Our Manchester Strategy to creating sustainable, safe, resilient, and cohesive neighbourhoods, with more affordable housing, good quality green spaces, and accessible culture and sporting facilities. We will work with colleagues and partners to achieve our zero-carbon ambition by 2038 at the latest, via green growth, low- carbon energy, retrofitting of buildings, green infrastructure, and increasing climate resilience. The services under the remit of Communities and Equalities Scrutiny Committee are as follows:-

Community Safety, Compliance and Enforcement

2.2. Protect the public and the environment and keep citizens safe through reducing crime, safeguarding vulnerable people, building community resilience, and preventing vulnerable people from being drawn into extremism.

2.3. Enforce the law in a fair and consistent manner, helping businesses to meet their legal obligations and taking firm action against those who disregard the law or act irresponsibly.

Libraries, Galleries and Culture

2.4. Responsible for providing all the city wide libraries, information and archive services, the Manchester Art Gallery and a range of cultural activities and organisations across the city.

2.5. The service operates the Central Library, 15 neighbourhood libraries and 6 community libraries, HM prison library as well as Books to Go service for housebound library users.

2.6. The library strategy and renewal programme has seen 80% of Manchester libraries being refurbished and co-located in recent years. The services has developed the Manchester standard for national, regional and Greater Manchester initiatives, supporting the Universal Public Library Offers (digital, health, information, learning and reading) as well as working closely with several city wide and local partners.

Neighbourhood Teams

2.7. Neighbourhood teams (North, Central, and South) are responsible for the management and development of neighbourhoods, and for making sure that services delivered at a neighbourhood level maintain a strong place-based focus by working closely with elected members, residents, community groups, local businesses and partner organisations.

Sports, Leisure, and Events

2.8. Responsible for providing strong strategic leadership which focuses relentlessly on improving outcomes for residents. The service is seeking to make the best use of parks and open spaces, increase sport and physical activity levels to help residents lead healthy, active lifestyles, strengthen youth provision and establish Manchester as an eventful city – making a significant contribution to Manchester being a world class place to work, live and visit and where companies want to invest.

2.9. The service area continues to deliver an exciting programme of work to support residents increase activity levels and reach their full potential. The team deliver greater resident involvement, strengthen partnership working, and build capacity in the voluntary sector in the main through commissioning arrangements and collaborating with partners to deliver events.

Housing Operations

2.10. Housing Operations was previously managed by the Council's arms length management organisation, Northwards Housing, and in July 2021 the service was brought back into the Council. The move sees the Council manage c.15,000 social homes and is therefore the largest provider of social housing in the city, with the aim to provide good quality homes to and with local communities.

3. Service budget and proposed changes

3.1. The Neighbourhood Directorate has a net budget of c£130.3m, with 1,481 budgeted FTE's.

3.2. The remit of this scrutiny committee oversees a gross budget of £83.9m, and a net budget of £34.2m, the breakdown of which is provided in the table below. In addition to this Homelessness budgets are reported separately.

Table 2: Base budget 2022/23

Service Area	2022 / 23 Gross budget £'000	2022 / 23 Net Budget £'000	2022 / 23 Budgeted posts (FTE) £'000
Compliance	11,701	8,899	233
Community Safety	4,749	2,757	49
Libraries, Galleries and Culture	13,728	10,020	285
Management and Directorate Support	1,175	1,175	27
Neighbourhood Teams	4,140	3,614	56
Other Neighbourhoods	1,468	274	4
Leisure, Youth and Events	20,857	7,422	27
Housing Operations	26,100	0	244
Total	**83,918**	**34,161**	**925**

3.3. As part of identifying options the initial priority has been to protect service delivery wherever possible, In November 2022 the scrutiny committee were presented with savings options of £1.564m over 2023/24 and 2024/25 for consideration.

3.4. The Government’s provisional funding settlement on 19 December 2022 reflected a change in Government policy and provided more funding than had been forecast, this has provided the opportunity to review both the quantum and phasing of savings to ensure that we minimise wherever possible the impact on service delivery. The table below sets out details of the £0.695m initial proposed savings that are no longer to be considered as part of the 2023/24 budget proposals.

Communities and Equalities	**Amount of Saving**				**Indicative FTE Impact**
	2023/24	**2024/25**	**2025/26**	**Total**	
	£'000	**£'000**	**£'000**	**£'000**	
Reduce proposed savings from increased vacancy factor	(130)	0	0	(130)	0
Remove withdrawal of media lounge	(34)	0	0	(34)	(1.1)
Do not reduce book fund and team	(35)	(135)	(35)	(205)	(3.2)
Review opening hours of Art Gallery	(26	(26)	0	(52)	(2.5)
Retain number of exhibitions and public programmes in Art Gallery	(70)	(60)	0	(130)	0
Remove proposed reduction of Neighbourhood Investment Funding.	(64)	0	0	(64)	0
Remove temporary reduction in contribution to police costs of Xmas markets	(40)	0	40	0	0
Reduce expenditure on Christmas Lights and Christmas Light switch on	(40)	(40)	0	(80)	0
Total	(399)	(261)	(35)	(695)	(6.8)

3.5. In addition to the £0.695m reduction in savings proposals there are initial savings of £0.750m that are to be retained but repurposed for alternative uses and these are detailed below.

3.6. As part of the 2022/23 budget process £0.7m of growth was approved and a local investment fund was created to provide ward based funding to support the development and strengthening of neighbourhoods and communities. The take up of the funding has varied across wards within the city, and it is proposed to end the funding programme in its current guise and repurpose the monies to establish a fund to support cleaning the city and infrastructure planning, this will be aligned to £5m per annum capital investment in community and neighbourhood assets. The £0.7m revenue funding will facilitate rapid response and emergency repairs or improvements to our community assets, for example to fix a broken swing or additional bins. The mechanisms for the administration of the fund are being developed.

3.7. The previous proposal to remove the £50k budget for New Year's Eve Celebrations (which is provided through income generation) will not be taken forward. The budget allocation will be retained, and suitable activity developed for the city centre.

Revised Proposed Savings

3.8. Wherever possible we have looked to ensure we are maximising external income generation, and this includes both reviewing the existing level of fees and charges, as well as the volume of activities in order to ensure income is being maximised.

3.9. Review of our existing workforce structures and capacity and recognise the potential savings from changing how we budget for staff cost and make an allowance for staff turnover, staff not being at top of grade or not in the pension scheme.

3.10. All heads of service have been asked to review their own service areas to identify any opportunities for cost reductions or efficiencies through good housekeeping

3.11. The proposed savings from services within the remit of this scrutiny committee are summarised below and are set out in more detail in Appendix 1, with further narrative provided in the following paragraphs.

Communities and Equalities – Excluding Homelessness	Amount of Saving				Indic-ative FTE Impact
	2023/24	2024/25	2025/26	Total	
	£'000	£'000	£'000	£'000	
Compliance	99	0	0	99	0
Libraries, Galleries and Culture	20	0	0	20	0
Total	**119**	**0**	**0**	**119**	**0**

3.12. There are total savings of £119k proposed across the following areas.

Community Safety and Compliance

3.13. Community Safety and Compliance has historically underspent on staffing costs by c£0.5m per annum, this is because of a combination of ongoing vacant posts, the high level of staff turnover because of the unsocial hours and staff not being at the top of the grades. A new structure is currently being developed in order to support the recruitment and retention of staff across the teams. The proposed increased vacancy factor is reflective of the proposed changes and will save £99k per annum.

Libraries, Galleries and Culture

3.14. Historically Libraries and Galleries has underspent on staffing costs, this is because of a combination of ongoing vacant posts, the high number of part time posts and staff not being at the top of the grades. To provide a more realistic staffing budget, without reducing capacity it is proposed to increase the vacancy factor applied to Libraries staffing budgets by £20k.

Emerging Pressures and Growth

3.15. There are no known pressures for future years that have been previously approved as part of last year's Medium Term Financial Plan.

3.16. Appendix 2 reflects the approved Medium Term Financial Plan for services in the remit of Communities and Equalities Scrutiny.

4. Workforce

4.1. The Council's establishment is fully budgeted for at the top of the grade. In reality there are vacancies caused by staff turnover, recruitment difficulties and staff employed throughout the grade scale. In order to avoid budgeting for costs that will not be required and making bigger cuts elsewhere, adjustments are being made to reflect these issues by applying a vacancy factor to recognise that vacancies will always exist. The continued challenges in filling posts also means that the council is working hard on ensuring we are an employer of choice and can attract people and minimise the pressures on our existing workforce.

4.2. Historically both Libraries and Galleries and Compliance and Community Safety have underspent on staffing costs, this is because of a combination of ongoing vacant posts, the high number of part time posts and staff not being at the top of the grades. To provide a more realistic staffing budget, without reducing capacity it is proposed to increase the vacancy factor applied to both Libraries staffing budgets by £20k, and compliance and Community Safety £99k with no impact on overall staffing numbers.

5. Equality and Anti-Poverty Impact

5.1 Consideration has been given to how the proposed savings could impact on different protected or disadvantaged groups. Where applicable proposals will be subject to completion of an Equality Impact Assessment (EqIA) and an Anti-Poverty Assessment as part of the detailed planning and implementation. At this stage no direct impacts on people and specifically MCC priority protected characteristics have been identified.

6. Future Opportunities and Risks

6.1. As development continues across the city, this may lead to increased growth pressures for Neighbourhood Services as the number of households grows significantly. The increased demands will include compliance and enforcement, waste collection and disposal and street cleaning.

6.2. The Target Operating Model for delivering services on a Neighbourhood footprint is being reviewed along with options for further integration of neighbourhood-based functions across the Council, particularly working with adult services and health. It is anticipated that this will generate savings for others rather than within the Neighbourhoods Directorate and this will be considered as part of future budget rounds.

7. Appendices

Appendix 1 – Savings Schedule
Appendix 2 – Indicative Medium-term budgets by service
Appendix 3 –Indicative Medium-term budgets by type of spend income

Appendix 1 - Savings Schedule

Service	Description of Saving	Type of Saving	RAG Impact	Amount of Saving 2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000	Indicative FTE Imp-act
Community Safety and Compliance								
	Reduce staffing budgets by increased vacancy factor to reflect increased staff turnover	Efficiency	Will reduce flexibility that exists within staffing budgets	99	0	0	99	
Libraries, Galleries & Culture								
	Reduce staffing budgets by increased vacancy factor to reflect increased staff turnover	Efficiency	Will reduce flexibility that exists within staffing budgets.	20	0	0	20	
Total				**119**	**0**	**0**	**119**	**0**

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Appendix 2: Indicative Medium term budgets by service

Communities and Equalities	2022/2023 Budget £'000	2023/2024 Indicative Budget £'000	2024/2025 Indicative Budget £'000	2025/2026 Indicative Budget £'000
Compliance	8,899	8,800	8,800	8,800
Community Safety	2,757	2,757	2,757	2,757
Libraries, Galleries and Culture	10,020	10,000	10,000	10,000
Management and Directorate Support	1,175	1,175	1,175	1,175
Neighbourhood Teams	3,614	3,614	3,614	3,614
Other Neighbourhoods	274	274	274	274
Leisure, Youth and Events	7,422	7,422	7,422	7,422
Housing Operations	0	0	0	0
Total	**34,161**	**34,042**	**34,042**	**34,042**

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Appendix 3: Indicative Medium term budgets by type of spend / income

Corporate Core	2022/2023 Budget £'000	2023/2024 Indicative Budget £'000	2024/2025 Indicative Budget £'000	2025/2026 Indicative Budget £'000
Expenditure:				
Employees	28,948	28,829	28,829	28,829
Running Expenses	49,489	49,560	49,560	49,560
Capital Financing Costs	248	248	248	248
Contribution to reserves	5,409	5,428	5,428	5,428
Sub Total Subjective Expenditure	**84,094**	**84,065**	**84,065**	**84,065**
Less:				
Other Internal sales	(166)	(166)	(166)	(166)
Gross Expenditure	**83,928**	**83,899**	**83,899**	**83,899**
Income:				
Government Grants	(1,051)	(1,051)	(1,051)	(1,051)
Contributions from Reserves	(6,315)	(6,315)	(6,315)	(6,315)
Other Grants Reimbursements and Contributions	(4,735)	(4,735)	(4,735)	(4,735)
Customer and Client Receipts	(37,666)	(37,756)	(37,756)	(37,756)
Other Income	0	0	0	0
Gross Income	**(49,767)**	**(49,857)**	**(49,857)**	**(49,857)**
Total Net Budget	**34,161**	**34,042**	**34,042**	**34,042**

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Manchester City Council
Report for Resolution

Report to: Environment and Climate Change Scrutiny Committee – 9 February 2023
Executive – 15 February 2023

Subject: Neighbourhood Directorate 2023/24 Budget

Report of: Strategic Director (Neighbourhoods)

Summary

Members will recall that at the November round of scrutiny meetings the Council was forecasting an estimated budget shortfall of £112m over the three years with £44m in 2023/24. As part of the action to address the budget shortfall officers identified potential savings options of £42.3m over three years, of which there were savings options of £0.627m within the remit of this scrutiny committee.

The provisional financial settlement announced 19 December reflected a change in government policy in relation to funding inflation and Social care pressures. This has given the opportunity to review the quantum and phasing of savings. It is now proposed that options of £36.2m are progressed, of which there are £0.527m savings over three years, of which £127k is in 2023/24 that is within the remit of this scrutiny committee.

This report provides a further update to members on the priorities for the services in the remit of this committee and details the changes to the initial revenue budget options proposed by officers in November 2022.

Each scrutiny committee is invited to consider the current proposed changes which are within its remit and to make recommendations to the Executive before it agrees to the final budget proposals on15 February 2023.

Recommendations

The Committee is recommended to:-

1. To consider and comment on the forecast medium term revenue budget; and
2. Consider the content of this report and comment on the proposed changes which are relevant to the remit of this scrutiny committee.

The Executive is recommended to approve these budget proposals.

Wards Affected: All

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

Equality, Diversity, and Inclusion - the impact of the issues addressed in this report in meeting our Public Sector Equality Duty and broader equality commitments
Consideration has been given to how the proposed savings could impact on different protected or disadvantaged groups. Where applicable proposals will be subject to completion of an Equality Impact Assessment (EqIA) and an Anti Poverty Assessment.

Manchester Strategy outcomes	**Summary of how this report aligns to the OMS/Contribution to the Strategy**
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	The effective use of resources underpins the Council's activities in support of its strategic priorities as set out in the Corporate Plan which is underpinned by the Our Manchester Strategy.
A highly skilled city: world class and home-grown talent sustaining the city's economic success	
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	
A liveable and low carbon city: a destination of choice to live, visit, work	
A connected city: world class infrastructure and connectivity to drive growth	

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

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

The changes included within this report will, subject to Member comments and consultation, be included in the final 2023/24 revenue budget set by Council on 3 March.

Financial Consequences – Capital

None directly arising from this report.

Contact Officers:

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Name: Paul Hindle
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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.

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Medium Term Financial Strategy 2022/23 to 2024/25 -Executive Meeting 16 February 2022
Neighbourhoods Directorate Budget 2022/23 - Executive 16 February 2022
Resource and Governance Scrutiny – 6 September 2022
Revenue Monitoring to the end of July 2022 and Budget update 2023/24 to 2025/26 - Executive 14 September 2022

1. Introduction and Purpose

1.1. The report sets out an overview of the services within the remit of this scrutiny committee and their key priorities. The budget growth assumptions in the MTFP (Medium Term Financial Plan) are set out. The report provides a further update to members on the proposed savings for 2023-26 and highlights the key changes since the November scrutiny meeting. The savings have been developed in the context of the financial challenge facing the Council

2. Service overview and priorities

2.1. Neighbourhood Service Directorate has a wide range of services and employs over 1,800 staff. The Directorate works to improve the lives of Manchester residents and highlight the city to our millions of visitors every year. Our services work directly with the people of Manchester and together we want to make Manchester a better place to live, work and play. We have committed, via the Our Manchester Strategy to creating sustainable, safe, resilient, and cohesive neighbourhoods, with more affordable housing, good quality green spaces, and accessible culture and sporting facilities. We will work with colleagues and partners to achieve our zero-carbon ambition by 2038 at the latest, via green growth, low- carbon energy, retrofitting of buildings, green infrastructure, and increasing climate resilience. The services under the remit of Environment and Climate Change Scrutiny Committee are as follows: -

Parks and Green Spaces

2.2. As part of our vision for Manchester to be in the topflight of world-class cities by 2025, our Parks team ensure that residents and visitors can regularly enjoy relaxation and sports in green, open spaces, parks, and riversides - rich in wildlife. This contributes to helping residents lead healthy, active lifestyles and bringing people together to enjoy their leisure time across the city.

Grounds Maintenance

2.3. The service works across the city, tending to parks, roadsides, and green spaces. They work closely with partners to ensure improved standards of cleanliness across the city.

Waste and Street Cleansing

2.4. Work very closely with the collections provider to improve street cleansing standards across the city and reduce bin collection issues, work with Neighbourhood Teams, Neighbourhood Compliance Teams, and other services to develop, coordinate, and monitor a range of programmes and activities to encourage residents and businesses to manage their waste legitimately and increase recycling.

Waste Disposal Levy

2.5. The monies paid over to Greater Manchester Combined Authority to fund the costs of recycling and waste disposal across GM (Greater Manchester), including the operation of the Household Waste Recycling centres (tips).

Climate Change Action Plan

2.6. The Council, in September 2022, approved a refresh of the Manchester Climate Change Action Plan (CCAP), which has a target to reduce the Council's direct CO2 emissions by 50% over the five-year period of 2020-25. To achieve this, the Council needs to reduce its emissions by 13% every year, for five years. These emissions relate to Council buildings, streetlights, waste collection, operational fleet, and Council business travel. To date, the Council has made good progress working towards its target to reduce its direct CO_2 emissions by 50% by 2025 and since 2020, the Council has exceeded its annual reduction targets, achieving 29.4% reductions so far. The carbon budget for this five-year period of 2020-25 is 126,336 tonnes of CO2 calculated using science-based targets.

2.7. A separate report providing details of our work on delivery of the Council's Climate Change Action Plan is included elsewhere on the agenda of this committee.

3. <u>Service budget and proposed changes</u>

3.1. Whilst the overall Neighbourhood budget is £130m, the services under the remit of this scrutiny have gross budgets of £66.057m and net budgets of £60.603m with 176 FTE.

3.2. The remit of this scrutiny committee oversees a gross budget of £66.0m, and a net budget of £60.6m, the breakdown of which is provided in the table below. Much of the budget is spent on the contractual arrangements with Biffa for waste collection, Redgate and the GMCA (Greater Manchester Combined Authority) for Waste Disposal via the waste levy.

Table 2: Base budget 2022/23

Service Area	2022/23 Gross budget £'000	2022 / 23 Net Budget £'000	2022 / 23 Budgeted posts FTE £'000
Parks and Green Spaces	3,783	2,059	62
Grounds Maintenance	4,682	4,153	101
Waste and Street Cleaning	27,636	24,435	13
Waste Disposal Levy	29,956	29,956	0
Total	**66,057**	**60,603**	**176**

3.3. As part of identifying savings options the priority has always been to protect service delivery wherever possible. In November 2022 the scrutiny committee were presented with savings options of £0.627m over 2023/24 and 2024/25 for consideration.

3.4. The Government funding settlement on 19 December 2022 reflected a change in Government policy and provided more funding than had been forecast, this has provided the opportunity to review both the quantum and phasing of savings to ensure that we minimise wherever possible the impact on service delivery. The key changes to savings options since the last committee are in respect of deferring the introduction of charging for replacement recycling bins until 2025/26. Whilst the benefits of introducing charges are recognised from both a climate perspective and increased responsibility for bin ownership, given the current cost of living crisis it is not considered to be the right time to introduce new charges for residents.

Table 3 - Environmental and Climate Change Changes to Savings

Environmental and Climate Change	**Amount of Saving**				
	2023/24	**2024/25**	**2025/26**	**2026/27**	**Total**
	£'000	**£'000**	**£'000**	**£00's**	**£'000**
Deferral of introducing charges for replacement recycling bins by two years.	(400)	(100)	400	100	0
Total	**(400)**	**(100)**	**400**	**100**	**0**

3.5. Wherever possible we have looked to ensure we are maximising external income generation, and this includes both reviewing the existing level of fees and charges and review the volume of activities to ensure income is being maximised.

3.6. Review of our existing workforce structures and capacity and recognise the potential savings from changing how we budget for staff cost and make an allowance for staff turnover, staff not being at top of grade or not in the pension scheme.

3.7. All Heads of Service have been asked to review their own service areas to identify any opportunities for cost reductions or efficiencies through good housekeeping.

3.8. The updated proposed savings from services within the remit of this scrutiny committee are set out in Appendix 1, and further narrative provided in the following paragraphs.

Parks and Green Spaces

3.9. Proposal to change the current pay and display arrangements at Heaton Park, this includes extending the hours of operation from 10am – 4pm to 9am - 5pm and changing the parking tariffs. This is forecast to realise additional income of c£87k. Implementation will require an update of the Traffic Regulation Orders for the Park and will be subject to public consultation.

3.10. Due to Covid the traditional bonfire and firework events held in Parks have not taken place, in 2022/23 a decision to pause the reinstatement of the events was taken pending a review of their impact and value for money. It is proposed that bonfire and firework displays will not be reinstated going forward, subject to the outcome of further consultation with key agencies and local partners. As an alternative there would be a programme of Autumn and Winter activities available to residents that would be developed through local consultation. This will enable savings of c£40k per annum. This aligns with the Council’s zero carbon strategy.

Waste and Recycling

3.11. In-line with some GM Authorities and Core Cities, it is proposed to introduce a charge to residents for new and replacement recycling bins, but this is delayed until 2025/26. The charge would be £20 and be applied to blue, brown, and green recycling bins. The application of a charge will place a value on these receptacles, it will increase bin ownership and reduce contamination of recycling. In terms of supporting zero carbon plans, it will reduce demand for new bin production and the number of transport movements delivering / collecting the current volume of wheeled bins.

3.12. In addition, it will reduce the number of abandoned recycling bins on street and improve visual amenity of the street scene. Assumes existing resource in Neighbourhoods Directorate will respond to increase in complaint and potential neighbourhood issues, with some additional support provided in year 1 in the Contact Centre.

Table 4: Summarised Savings

Environmental and Climate Change	**Amount of Saving**				**Indicative FTE Impact**
	2023/24	**2024/25**	**2025/26**	**Total**	
	£’000	**£’000**	**£’000**	**£’000**	
Parks and Green Spaces	127	0	0	127	0
Waste and Street Cleaning	0	0	400	400	0
Total	**127**	**0**	**400**	**527**	**0**

Investment and Growth Proposals

3.13. As part of the budget proposals a further £1m investment into waste and street cleaning is proposed, this will support Basic Services and Street Cleaning and is in addition to the £1m investment into waste and street cleaning put forward as part of the 2022/23 budget.

3.14. It is proposed there is a further investment of £1.2m to support specific activity in and around the City Centre, District Centres and key arterial routes.

3.15. The annual waste levy costs are driven by forecast tonnages of waste to be disposed of and the costs of disposal. The levy is set by GMCA and based on latest forecasts it is anticipated that this will increase in 2023/24, with the increase to Manchester being £1.024m. Further increases of £1.916m have been assumed split over 2024/25 and 2025/26 and these increases are reflected in the current budget plans for those years.

3.16. The budget position also reflects a one-off return of waste reserves from GMCA of £25m, of which Manchester's share is £4.5m. This has been reflected in the corporate budget to reduce the overall budget gap in 2023/24.

3.17. The proposed growth and investment are detailed in Appendix 2. The indicative three-year budget position is shown in Appendix 3.

4. Workforce

4.1. The services under the remit of this scrutiny 176 FTE. There is no projected workforce impact of activity to deliver the savings. Effective and robust workforce planning arrangements are in place to ensure that, as functions and roles change,

4.2. The Council's establishment is fully budgeted for at the top of the grade. In reality there are vacancies caused by staff turnover, recruitment difficulties and staff employed throughout the grade scale. In order to avoid budgeting for costs that will not be required and making bigger cuts elsewhere, adjustments are being made to reflect these issues by applying a vacancy factor to recognise that vacancies will always exist. The continued challenges in filling posts also means that the council is working hard on ensuring we are an employer of choice and can attract people and minimise the pressures on our existing workforce.

5. Equality and Anti Poverty Impact

5.1. Consideration has been given to how the proposed savings could impact on different protected or disadvantaged groups. Where applicable proposals will be subject to completion of an Equality Impact Assessment (EqIA) and an Anti Poverty Assessment as part of the detailed planning and implementation. At this stage no direct impacts on people and specifically MCC (Manchester City Council) priority protected characteristics have been identified.

6. Future opportunities and Risks

6.1. As development continues across the city and this may lead to increased growth pressures for Neighbourhood Services as the number of households grows significantly. The increased demands will include compliance and enforcement, waste collection and disposal and street cleaning.

6.2. The Target Operating Model for delivering services on a Neighbourhood footprint is being reviewed along with options for further integration of neighbourhood-based functions across the Council, particularly working with adult services and health. It is anticipated that this will generate savings for others rather than within the Neighbourhoods Directorate and this will be considered as part of future budget rounds.

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Appendix 1 - Savings Schedule

Description of Saving	**Impact**	**Type of Saving**	**Amount of Saving**				**Indicative FTE Impact**
			2023/24	**2024/25**	**2025/26**	**Total**	
			£000	**£000**	**£000**	**£000**	
Parks and Green Spaces							
Heaton Park increased Parking Charges	May reduce visitor numbers that could reduce levels of income proposed and would also impact the current income which underpins the delivery of services and the viability of partner operations which contribute to the overall visitor experience.	Income Generation	60	0	0	**60**	-
Heaton Park, extend the hours of operation, pay and display	May reduce visitor numbers that could reduce levels of income proposed and would also impact the current income which underpins the delivery of services and the viability of partner operations which contribute to the overall visitor experience. Could limit regular usage for a core of visitors and may have a disproportionate impact on that cohort due to cost of living pressures.	Income Generation	27	0	0	**27**	-
Cease bonfire and firework activity and replace with community autumn and winter celebrations	Bonfire and firework options would potentially increase the activity that blue light services and Community Safety / Neighbourhood colleagues would need to respond to. Early indications are that there has been little to no impact of pausing reinstatement of these activities in 2022/23.	Service reduction	40	0	0	**40**	-
Waste and Street Cleaning							
Introduce charges for replacement recycling bins	Introduce charging for recycling bins, this will encourage bin ownership and reduce demand for new bin production and transport movements delivering /	Service reduction	0	0	400	**400**	-

	collecting the current volume of wheeled bins. It will also reduce the no of abandoned recycling bins on street and improve visual amenity of the street scene.							
Total			127	0	400	527	0	

Appendix 2 – Investment and Growth Schedule

Environment and Climate Change	Description of Pressure	Amount of Pressure/Growth			
		2023/24	2024/25	2025/26	Total
		£'000	£'000	£'000	£'000
Waste and Street Cleaning	Investment	1,000	0	0	1,000
Waste and Street Cleaning	Investment	1,200	0	0	1,200
Waste Disposal Levy	Levy Adjustment	1,024	929	957	2,910
Total		**3,224**	**929**	**957**	**5,110**

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Appendix 3: Indicative Medium-term budgets by service

Environment and Climate Change	2022/2023 Budget £'000	2023/2024 Indicative Budget £'000	2024/2025 Indicative Budget £'000	2025/2026 Indicative Budget £'000
Parks and Green Spaces	2,059	1,832	1,732	1,732
Grounds Maintenance	4,153	4,153	4,153	4,153
Waste and Street Cleaning	24,435	26,635	26,635	26,235
Waste Disposal Levy	29,956	30,980	31,909	32,866
Total	**60,603**	**63,600**	**64,429**	**64,986**

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Appendix 4: Indicative Medium term budgets by type of spend / income

Corporate Core	**2022/2023 Budget £'000**	**2023/2024 Indicative Budget £'000**	**2024/2025 Indicative Budget £'000**	**2025/2026 Indicative Budget £'000**
Expenditure:				
Employees	6,864	6,864	6,864	6,864
Running Expenses	58,856	62,090	63,019	63,976
Capital Financing Costs	520	520	520	520
Contribution to reserves				
Sub Total Subjective Expenditure	**66,240**	**69,474**	**70,403**	**71,360**
Less:				
Other Internal sales	(111)	(217)	(217)	(217)
Gross Expenditure	**66,129**	**69,257**	**70,186**	**71,143**
Income:				
Government Grants				
Contributions from Reserves	(3,500)	(3,500)	(3,500)	(3,500)
Other Grants Reimbursements and Contributions				
Customer and Client Receipts	(2,024)	(2,155)	(2,255)	(2,655)
Other Income	(2)	(2)	(2)	(2)
Gross Income	**(5,526)**	**(5,657)**	**(5,757)**	**(6,157)**
Total Net Budget	**60,603**	**63,600**	**64,429**	**64,986**

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Manchester City Council
Report for Information

Report to:	Environment and Climate Change Scrutiny Committee – 9 February 2023 Executive – 15 February 2023
Subject:	Zero Carbon 2023/24 Budget Report
Report of:	Deputy Chief Executive and City Treasurer

Summary

The purpose of the report is to provide an overview of the funding secured and invested to date to enable delivery of Manchester City Council's Climate Change Action Plan (CCAP) 2020-2025.

The report also sets out what has been delivered as a result of the additional revenue funding provided from the Council's budget for 2022/23 and highlights the priority actions to be delivered between 2023-25.

Recommendations

The Committee is recommended to note and comment on the content of the report and progress that has been made on delivering the Council's Climate Change Action Plan during 2022 as a result of the investments made.

The Executive is recommended to note the progress that has been made on delivering the Council's Climate Change Action Plan during 2022 and endorse the priorities for 2023/24

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 Council's Climate Change Action Plan 2020-25 sets out the actions that will be delivered to ensure that the Council plays its full part in delivering the city's Climate Change Framework 2020-25

Equality, Diversity and Inclusion - the impact of the issues addressed in this report in meeting our Public Sector Equality Duty and broader equality commitments
Actions set out in the Climate Change Action Plan 2020-25 recognise the need for just and equal delivery of climate action across the city, focusing on the areas such as community engagement, accessible transport, access to green spaces and tackling fuel poverty.

Manchester Strategy outcomes	Summary of how this report aligns to the OMS/Contribution to the Strategy
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	Manchester's reputation as a leader in delivering on climate change will help to attract investment and businesses to the city. This will contribute towards helping the transition to a zero carbon city, which in turn will help the city's economy become more sustainable and will generate jobs within the low carbon energy and goods sector.
A highly skilled city: world class and home grown talent sustaining the city's economic success	Work underway in the Council supporting schools and the wider education sector will help develop a future well equipped workforce, whilst work underway under the Green Skills Action Plan is helping support industry be prepared for the demand that is being created within the zero carbon sector.
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	There is a targeted focus on retrofitting homes across the city to help tackle fuel poverty and the cost-of-living crisis by reducing energy bills and this is a key part of the transition to a zero-carbon city. Health outcomes will also be improved through healthier homes as well as other areas, such as the promotion of more sustainable and active modes of transport, improved air quality and easy access to green spaces.
A liveable and zero carbon city: a destination of choice to live, visit, work	Work underway on Neighbourhood Ward Plans and Green and Blue Infrastructure, Open Spaces and Parks (helping to adapt and increase resilience) are key areas of Manchester becoming a zero carbon city will help the city to be a more attractive place for people to live, work, visit and study.
A connected city: world class infrastructure and connectivity to drive growth	Our investment in active and sustainable travel is helping Manchester to have a fully zero carbon transport system, which will create a world class business environment to drive sustainable economic 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

It is not expected that there will be any financial consequences to the Revenue budget that should arise from the content of this report.

Financial Consequences – Capital

It is not expected that there will be any financial consequences to the Capital budget that should arise from the content of this report.

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Background documents (available for public inspection):

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

- *Manchester City Council Climate Change Action Plan 2020-25 Updated 2022*
- *Manchester City Council Climate Emergency Declaration July 2019*
- *Manchester Climate Change Framework 2020-25 Updated 2022*
- *Neighbourhoods Directorate 2023/24 Budget – Environment and Climate Change Scrutiny Committee*
- *Neighbourhoods Directorate Budget 2022/23 – Environment and Climate Change Scrutiny Committee*

1.0 Introduction

1.1 The purpose of the report is to provide an overview of the funding secured and invested to date to enable delivery of Manchester City Council's Climate Change Action Plan (CCAP) 2020-2025.

1.2 The report sets out what has been delivered as a result of the additional revenue funding provided from the Council's budget for 2022/23 and highlights the priority actions to be delivered between 2023-25 and that although investment has been secured to enable delivery to date, there is still more to be done to ensure MCC remains on track in meeting its targets.

2.0 Background

2.1 A five-year Manchester City Council Climate Change Action Plan (CCAP) 2020-25 went live following approval at Executive Committee in March 2020.

2.2 The MCC CCAP sets a target for the Council to reduce its direct CO_2 emissions by 50% between 2020 and 2025 based on a 13% year on year reduction to reach zero carbon by 2038. The CCAP also recognises the Council's unique leadership role in supporting and influencing the city to reduce its emissions and in ensuring that the city's residents are protected from the impacts of climate change.

2.3 The actions are structured across five workstreams as follows:

1. Buildings and energy
2. Transport and travel
3. Reducing consumption based emissions and influencing suppliers
4. Climate adaptation, carbon storage and carbon sequestration
5. Influencing behaviour and being a catalyst for change.

2.1 Following the establishment of the Environment and Climate Change Scrutiny Committee, regular updates on delivery of the CCAP have been provided via the Quarterly Progress Reports, which have also been scheduled into the Committee's future work programme. Previous quarterly progress reports are available on the Council's website.

2.2 A refreshed Manchester City Council CCAP 2020-25 was endorsed by the Environment & Climate Change Scrutiny Committee and approved by the Council's Executive Committee in September 2022. The refreshed CCAP sets out the Council's commitment to continue working to reduce MCC's own direct CO_2 emissions alongside a strong focus on our city-wide leadership role and work across Greater Manchester in support of wider climate change objectives.

2.3 The refreshed Climate Change Action Plan sets out new actions, building on existing ambitions, for example, looking at ways to accelerate reaching zero carbon sooner than 2038, identifying opportunities to be bolder and avoiding any risk of complacency.

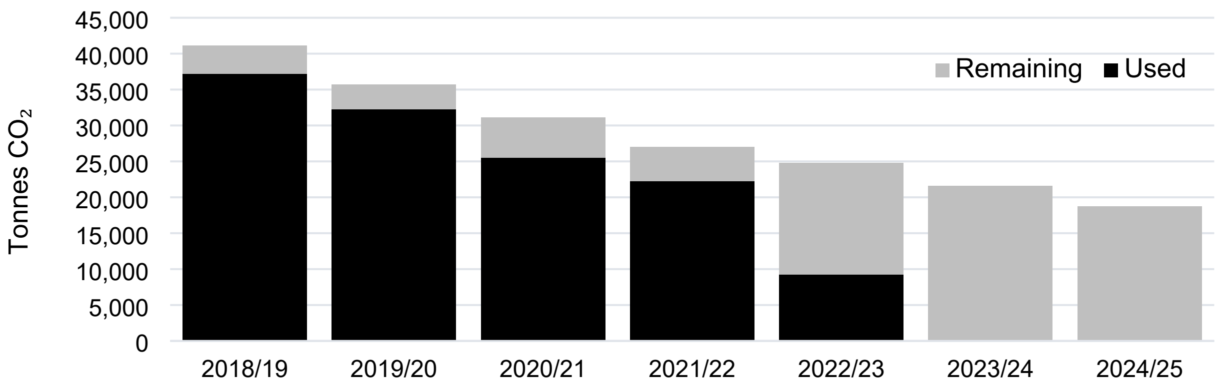
3.0 Funding the delivery of Manchester City Council's Climate Change Action Plan 2020-25

3.1 In September 2022, the City Council's Executive Committee approved a refresh of the Manchester Climate Change Action Plan (CCAP), which has a target to reduce the Council's direct CO_2 emissions by 50% over the five-year period of 2020-25. To achieve this, the Council needs to reduce its emissions by 13% every year, for five years. These emissions relate to Council buildings, streetlights, waste collection, operational fleet, and Council business travel.

3.2 To date, the Council has made good progress, remained within its carbon budget, and has so far achieved nearly 30% of the target to reduce its CO_2 emissions by 50% by 2025. The carbon budget for this five-year period of 2020-25 is 126,336 tonnes of CO_2 calculated using science-based targets[1].

3.3 Figure 1 below shows the CO_2 emissions used each year of the CCAP 2020-25 against the annual emissions budget, commencing from the baseline year, 2018/19 to highlight the year-on-year budget reduction and downward trend.

Figure 1: Total emissions used against remaining emissions budget



*2022/23 - includes emissions up to Q2 July – September 2022

3.1 As the Council's refreshed Climate Change Action Plan sets out, as well as continuing to reduce its own direct CO_2 emissions and take action on climate change across all areas of the Council, going forward there will be more emphasis on our city leadership role. Working in partnership and supporting residents and partners across the city to play their full part in reducing the city's carbon emissions to meet the science-based target, including ensuring a just transition for residents.

3.2 To enable the delivery of the commitments set out in the Council's CCAP, further revenue and capital investment from multiple funding sources over multiple financial years is critical and a major challenge. MCC has established a Finance & Investment Sub-group within the CCAP's governance to support this work by exploring investment opportunities in the zero carbon agenda,

[1] This has slightly increased from the original budget of 119,988 tonnes of CO_2 due to emissions from Northwards Housing being incorporated now it has formally re-joined the Council. This recalculation has been reviewed by the Tyndall Centre for Climate Change Research

developing public/private partnerships and exploring innovative funding models. The Sub-group also has a focus on growing MCC's capacity and knowledge by building on best practice and developing new networks and approaches to delivering climate action.

3.3 To date, the Council has already put in place investment of approximately **£227m** to deliver the 5-year Climate Change Action Plan along with an additional direct revenue investment of **£800k** secured as part of the 2022/23 budget setting. The breakdown of this funding by source is as follows:

- **£109.2m** of capital and revenue investment via the Council (including investment in LED streetlighting, Civic Quarter Heat Network, Estates Carbon Reduction, purchase of Electric Refuse Collection Vehicles, Tree Planting, social housing new low carbon homes & retrofit, education setting summit and £1.5m revenue funding capacity to deliver the climate change action plan in MCC and the development and delivery of the climate change framework within MCCP. This includes the £800k additional revenue secured as part of the 2022/23 budget setting and more details on what this is funding is provided in the table below.
- **£70.1m** from UK Government (including funding for Mayfield Park, Urban Tree Challenge Fund, Public Sector Decarbonisation Scheme, Active Travel, Social Housing Development Fund, HNIP grant contribution to Civic Quarter Heat Network)
- **£35.4m** 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)
- **£3.6m** from the Manchester Climate Change Agency (including In Our Nature funding from the National Lottery).

3.1 The investment outlined above has assisted the Council to make good progress towards achieving its net zero carbon target by helping to reduce its direct emissions and remain within the carbon budget limit.

3.2 The additional revenue investment of £800k which was secured as part of the 2022/23 budget setting is providing important additional capacity, particularly in delivering the city-wide actions, as outlined in the table below. A number of posts have now been filled and recruitment for the remaining posts is currently in process.

Focus	Description
Housing Investment & Retrofit	Develop and deliver a housing retrofit plan for the Council's social housing stock. Work with Manchester Housing Providers Partnership and wider partners to deliver an approach to housing retrofit across social and private sectors.
Energy & Infrastructure Support	Review and respond to the recommendations of the Local Area Energy Plan, working with Greater Manchester partners to deliver energy infrastructure. Supporting delivery of Green & Blue Infrastructure.
Procurement	Supporting effective implementation and monitoring of the 10% environmental weighting across our procurement processes.
City Policy Zero Carbon Team	Develop a plan to eradicate avoidable single use plastics across the Council and at events, working towards being single use plastic free by 2024. Added capacity to support the Finance & Investment work programme alongside CCAP programme management work of the Zero Carbon Team.
Sustainable Staff Travel	Implement the new Staff Travel Policy across the Council and support staff to make sustainable travel choices.
Carbon Literacy	Delivering a comprehensive Carbon Literacy programme which secures our target Gold standard by 2025, while responding to service needs and establishing a mechanism for evaluation.
CCAP Delivery Support	Allocating small amounts of funding to support the delivery of priorities (e.g. support to schools, work with the food sector), which has the potential to enable greater progress.
Total	**£800k p.a.**

3.1 There is also wider Council investment that is being used to influence the climate agenda across the city, for example;

- Developments within the Council's capital programme, including Victoria North, Mayfield Depot, and North Manchester General Hospital, where climate action will be embedded as part of a wider programme of work.
- Commissioning of new Council contracts will include a 10% environmental weighting increasing the social value weighting to 30%.
- Embedding climate action within the Council's grants programmes, e.g., Culture grants, VCSE (voluntary, community and social enterprise) grants and Neighbourhood Investment Fund.

3.2 Continuing to operate within the remainder of the carbon budget will be challenging and the Council will need to continue to identify and secure investment to deliver on its commitments. Work proposed in the Council's Capital Strategy and budget will support some of the ongoing priorities for delivering the CCAP, for example embedding the Building Standard and ongoing retrofit across the Council's estate, retrofit of the Council's housing stock as well as delivering the Decent Homes Standard, the potential purchase of a solar farm or power purchase agreement (PPA), providing accessible parks and green spaces and supporting delivery of the Manchester Green & Blue Strategy including the Tree Action Plan, and also providing financial support to underpin delivery of new strategies, such as the Manchester Active Travel Strategy and the Electric Vehicle Charging Infrastructure Strategy.

4.0 Progress during 2022/23

3.4 Outlined below is a summary of the Council's progress made in delivering the CCAP during 2022/23 and where the additional capacity has supported this delivery.

1.1 Buildings and Energy (Workstream 1)

- The Council secured an additional £4.9m of funding from the Public Sector Decarbonisation Scheme, to continue the Estates Retrofit programme, supplementing the £19m secured in 2021-22, contributing towards emissions reductions across 18 Council buildings and reduced energy consumption.
- 69 new low carbon Council properties are being developed by the Council. These properties will include a range of innovative features including solar PV, Electric Vehicle charging, ground source and air source heating, plus living green roofs and walls. The site is on Silk Street, Newton Heath.
- £600,000 funding has been secured as part of the Greater Manchester Warm Homes Fund to install central heating systems in fuel poor homes for up to 50 homes.
- Started to explore possible opportunities for the purchase of a solar farm.
- Completed Civic Quarter Heat Network infrastructure with 6 buildings now connected (£26m), including Central Library and the Town Hall Extension.

1.2 Transport and Travel (Workstream 2)

- A range of walking and cycling improvements have been delivered across the city as part of Greater Manchester's Mayor's Challenge Fund and Active Travel Fund.
- 26 eCargo bikes and 6 eCargo trailers are now being used across Council teams, city partners and a public hire scheme as part of a project launched by the City Council in January 2022 in collaboration with the Energy Savings Trust.
- 27 (50%) of our waste collection fleet plus 39 other MCC vehicles are now electric, helping reduce the use of fossil fuels and helping improve air quality.
- Actively researched and secured incentives to support staff to travel more sustainably to support the implementation of the Sustainable Staff Travel Policy.

1.3 Reducing Consumption Based Emissions and Influencing Suppliers (Workstream 3)

- 10% social value weighting for the environment has been introduced and now being implemented, and we are working with suppliers to reduce their CO_2 emissions.
- Appointed a member of staff to lead on the Councils commitments to reduce the use of avoidable Single Use Plastics and deliver sustainable events.
- The Council has launched a “Reusable Cups Guide”. This adds to the range of sustainable events guides, which are being rolled out across Manchester events.

1.4 Climate Adaptation, Carbon Storage and Sequestration (Workstream 4)

- Built a ‘sponge’ park in West Gorton, helping reduce surface water flooding and reduce excess water entering the water network whilst improving the quality of green space in the neighbourhood – which won two awards: a ‘Golden Pineapple’ Award from the Festival of Place, the Excellence in Flood and Water Management award at the Landscape Institute Awards. The Park was highly commended in the Environment Agency's Flood and Coastal Resilience Awards.
- Planted over 7,000 trees and hedge trees, helping to absorb carbon, improve health and wellbeing and support biodiversity and 5 community orchards across the city.
- Commissioned a Tree Opportunity Map for Manchester (£50k), to inform future tree planting programmes.

1.5 Influencing Behaviour and Being a Catalyst for Change (Workstream 5)

- Achieved Silver Carbon Literacy Accreditation and working towards Gold, having trained over 1,700 members of staff and 92 elected members.
- All Wards have developed Climate Change Action Plans which contain localised positive climate action.
- A behaviour change communications campaign delivered during summer 2022 to promote positive action (£50k).
- Delivered the Council’s first Schools Bee Green Conference held at Connell Co-Op College in June 2022 (£13.7k MCC revenue 22/23), encouraging education settings to take action to decarbonise.
- Developed a proposition to UK Government in relation to COP26 being held in Glasgow in November 2021, which lead to engagement in UK Cities Climate Investment Commission (UK3Ci) and developing a pipeline of investable projects.
- Manchester Work & Skills Strategy 2022-27 featuring Green Skills was adopted by Executive Committee on in June 2022.
- Neighbourhood Climate Change Officers continued to engage and support communities to further develop climate change action plans for their Wards.

4.0 Priorities for 2023/24

4.1 Outlined below is a summary of the Council's CCAP priorities for 2023/24 and showing where the additional capacity will help to drive these actions forward.

4.2 Buildings and Energy (Workstream 1)

<u>Council actions</u>

- Progress the Large-Scale Renewable Energy Generation project for the development or purchase of a suitable solar farm and / or direct renewable energy Power Purchase Agreement (PPA).
- Continue to deliver the Estates Carbon Reduction Programme using funding secured from MCC's own resources and UK Government (Public Sector Decarbonisation Scheme and Unlocking Clean Energy).

<u>City actions</u>

- Continue to progress the development of the Local Plan.
- Deliver an approach to housing retrofit with Manchester Housing Providers Partnership. Develop and deliver a housing retrofit plan for the Council's social housing stock. (Report to E&CC Scrutiny, September 2022).
    - 2 new posts created within Strategic Housing - to support the development and delivery of the housing retrofit plan and explore funding opportunities to support this work
- Review and respond to the recommendations in the Local Area Energy Plan (LAEP) and coordinate LAEP work with wider Greater Manchester authorities and partners (Report to E&CC Scrutiny, December 2022).
    - 2 new posts created within Growth & Development - to provide additional resource to focus on this priority area, linking with wider infrastructure work

4.3 Transport and Travel (Workstream 2)

<u>Council actions</u>

- Continue to decarbonise the Council's fleet, including the development of a business case for the remaining 50% of the refuse collection vehicles.
- Identify and implement sustainable actions across Highways focusing on the use of resilient and sustainable materials.
- Implement the Staff Travel Policy across the Council and monitor progress (Report to E&CC Scrutiny, January 2023).
    - 2 new posts created in Human Resources and Organisational Development (HROD) - to embed the new Staff Sustainable Travel Policy across the Council, develop and implement incentives and support to encourage staff to sustainably commute.

<u>City actions</u>

- Continue delivery of the Transport Strategies across Greater Manchester and the City Centre, working with GMCA, TfGM, other Local Authorities and Government on projects (including preparations for High Speed 2 and Northern Powerhouse Rail, Metrolink expansion and tram-train options, bus reform, the Clean Air Zone and Active Travel).

- Develop and deliver the Electric Vehicle Charging Infrastructure Strategy and assess investment requirements, link with the Local Area Energy Plan and Local Plan (Report to E&CC Scrutiny, January 2023).

4.4 Reducing Consumption Based Emissions and Influencing Suppliers (Workstream 3)

Council actions

- Continue to implement the 10% environmental weighting within the social value element of the tendering process to influence suppliers.
  - 2 new posts created with Integrated Commissioning & Procurement to support with monitoring of CO_2 emissions in contracts and to challenge specifications to ensure that low carbon options are fully considered.
- Implement the plan to eradicate avoidable single use plastics across the Council and at events, working towards being single use plastic free by 2024 and support delivery of sustainable events (Report to E&CC Scrutiny, December 2022).
  - 1 new post created within City Policy to develop and deliver a plan getting us to Single Use Plastic Free and exploring opportunities for sustainable events

City actions

- Develop and implement the plan for sustainable events (including a reduction in SUPs) across the City, through the use of the Sustainable Events Guides.
  - Supported by the post created in City Policy
- Work with the Secretariat of the Manchester Food Board to deliver the climate change priorities of the Manchester Food Board, including producing and implementing a Sustainable Food Policy.

4.5 Climate Adaptation, Carbon Storage and Sequestration (Workstream 4)

Council actions

- Continue delivery of the Tree Action Plan and identify funding opportunities.
- Produce and deliver a Parks specific Climate Change Action Plan.
- Explore increasing nature-based solutions (NBS) across the city by using learnings from NBS projects.
- Delivery of the Green & Blue Infrastructure Strategy and revised Implementation Plan and the Biodiversity Strategy (Reports to E&CC Scrutiny, March 2023).

City actions

- Increase quantity of trees and hedgerows by using the Tree Opportunity Mapping assessment.

4.6 Influencing Behaviour and Being a Catalyst for Change (Workstream 5)
Council actions

- Develop and deliver a programme of work to achieve Gold Carbon Literacy Accreditation by March 2025 and develop a wider training programme to fully embed the Council's Zero Carbon ambition across services. (Report to E&CC Scrutiny, November 2022)
    - 1 post created and 1 post extended within HROD to continue to rollout the training programme across the Council, respond to service needs and establish a mechanism for evaluation
- Continue to embed zero carbon ambitions into Council decision-making.
- Continue delivery of the Finance and Investment work programme, to identify financial models for investing in decarbonisation projects across the city
    - 1 new post created within City Policy to support this priority, along with the programme management work of the Zero Carbon team.

City actions

- MCC to continue to lead by example in its commitment to taking action on climate change across all areas of the Council and showing leadership across the city with residents and external partners.
- Continue to actively engage residents and communities to tackle climate change, including implementing ward action plans (report to E&CC Scrutiny, November 2022) and continuing to work with Manchester Climate Change Agency and other partners to deliver the 'In Our Nature' programme.
- Tell the Council's story of positive climate action through website content, social media and the press, and align the Zero Carbon Communications work with wider communications across the council e.g., Waste and Recycling, green and blue infrastructure, active travel, and neighbourhoods.
- Work with Manchester Climate Change Partnership and Agency to deliver the revised Manchester Climate Change Framework and what levers the Council can use to support this and accelerate decarbonisation across the city – support this with a city wide communications campaign focusing on the refreshed Manchester Climate Change Strategy.
- Deliver Education Services Climate Change Strategic Action Plan 2022-2024, to support and engage education providers to embed climate change into their operations and education settings (Report to Children & Young People's Scrutiny, October 2022).
- Implement the Green Skills Action Plan developed from the refreshed Work & Skills Strategy.

5.0 Recommendations

5.1 To note and comment on the content of the report and progress that has been made on delivering the Council's Climate Change Action Plan during 2022/23 as a result of the investments made.

Manchester City Council
Report for Information

Report to: Communities and Equalities Scrutiny Committee – 7 February 2023
Executive – 15 February 2023

Subject: Homelessness Directorate 2023/24 Budget

Report of: Strategic Director (Neighbourhood Services)

Summary

Members will recall that at the November round of scrutiny meetings the Council was forecasting an estimated budget shortfall of £112m over the three years with £44m in 2023/24. As part of the action to address the budget shortfall officers identified potential savings options of £42.3m over three years, of which there were savings options of £4.646m within the remit of this scrutiny committee.

The provisional financial settlement announced 19 December reflected a change in government policy in relation to funding inflation and Social Care pressures. This has given the opportunity to review the quantum and phasing of savings. It is now proposed that options of £36.2m are progressed, of which £4.646m is within the remit of this scrutiny committee.

This report provides a further update to members on the priorities for the services in the remit of this committee and details the changes to the initial revenue budget options proposed by officers in November 2022.

Each scrutiny committee is invited to consider the current proposed changes which are within its remit and to make recommendations to the Executive before it agrees to the final budget proposals on 15 February 2023.

Recommendations

The Committee is recommended to:

1. consider and comment on the forecast medium term revenue budget, and
2. consider the content of this report and comment on the proposed changes which are relevant to the remit of this scrutiny committee

The Executive is recommended to approve these budget proposals.

Wards Affected: All

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

Equality, Diversity and Inclusion - the impact of the issues addressed in this report in meeting our Public Sector Equality Duty and broader equality commitments
Consideration has been given to how the proposed savings could impact on different protected or disadvantaged groups. Where applicable proposals will be subject to completion of an Equality Impact Assessment (EqIA) and Anti Poverty Assessment.

Manchester Strategy outcomes	**Summary of how this report aligns to the OMS/Contribution to the Strategy**
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	The effective use of resources underpins the Council's activities in support of its strategic priorities as set out in the Corporate Plan which is underpinned by the Our Manchester Strategy. Having good quality accommodation will help people to thrive. Reducing the number of people who are homeless or placing them in appropriate accommodation with help to access employment and learning opportunities will contribute to Manchester becoming a thriving and sustainable city.
A highly skilled city: world class and home grown talent sustaining the city's economic success	Having accommodation that people can access, in areas where they have a support network to help them, and their children, into education or employment will help grow talent in the city.
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	Having good quality accommodation in our communities improves the environment people live in and helps them to make a positive contribution
A liveable and low carbon city: a destination of choice to live, visit, work	Ensuring properties are a good quality and high standard will reduce the need to heat properties and therefore reduce energy waste.
A connected city: world class infrastructure and connectivity to drive growth	Housing infrastructure is central to Manchester's inclusive growth ambitions

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 changes included within this report will, subject to Member comments and consultation, be included in the final 2023/24 revenue budget set by Council on 3 March.

Financial Consequences – Capital

None directly arising from this report.

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Background documents (available for public inspection):

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

Revenue Budget Report - Executive Meeting 16 February 2022
Medium Term Financial Strategy 2022/23 to 2024/25 -Executive Meeting 16 February 2022
Resource and Governance Scrutiny – 6 September 2022
Revenue Monitoring to the end of July 2022 and Budget update 2023/24 to 2025/26 - Executive 14 September 2022
Homelessness Update January 2023 Scrutiny
Homelessness Budget Report 2023/24 November 2022 Scrutiny

1. Introduction and Purpose

1.1. The report sets out an overview of the services within the remit of this scrutiny committee and their key priorities. The budget growth assumptions in the MTFP are outlined. The report provides a further update to Members on the proposed savings for 2023-26 and highlights the key changes since the November Scrutiny meeting. The saving proposals have been developed in the context of the financial challenge facing the Council.

2. Service overview and priorities

2.1. This report summarises the budget proposals for the Homelessness service within the Neighbourhood Services Directorate. Neighbourhood Services has a wide range of services and employs over 1,800 staff. The Directorate works to improve the lives of Manchester residents and showcase the city to our millions of visitors every year. Our services work directly with the people of Manchester and together We want to make Manchester a better place to live, work and play. We have committed, via the Our Manchester Strategy to creating sustainable, safe, resilient, and cohesive neighbourhoods, with more affordable housing, good quality green spaces, and accessible culture and sporting facilities. We will work with colleagues and partners to achieve our zero-carbon ambition by 2038 at the latest, via green growth, low- carbon energy, retrofitting of buildings, green infrastructure, and increasing climate resilience. The homelessness service is under the remit of Communities and Equalities Scrutiny Committee.

2.2. The Homelessness Service’s objective is to prevent people from becoming homeless and to support individuals and families who find themselves homeless, to secure new permanent homes and with that better life outcomes.

2.3. There are several key strategies and plans that the Council has developed and are now delivering within the ‘A Place Called Home: Homelessness Transformation’ strategy. The overall aims of A Place Called Home are to:

- Significantly increase the successful prevention of homelessness
- Continue our progress to end rough sleeping
- Considerably reduce the use of temporary accommodation
- Deliver Better Outcomes and Better Lives for people and families at risk or who are homeless

2.4. As reported to January Scrutiny the key metrics relating to homelessness are set out below and relate to the level of demand and need in the city and how we are responding to prevent, alleviate as well as end homelessness.
- Number of homeless applications activated
- Number of applications opened at the prevention duty and relief duty stages
- Settled accommodation outcomes achieved at prevention duty discharge
- Settled accommodation outcomes achieved at relief duty discharge
- Number of homeless applications progressing to the main duty stage
- Number of households in TA

- Number of families in B&B
- Number of families in B&B exceeding 6 weeks

2.5. Bed and Breakfast Placements for Families:

2.6. The Council has submitted its plan to DLUHC setting a target to eliminate 6-week plus placements by the end of June 2023 and to have no more than 10 families placed in bed and breakfast accommodation at the end of 2023 with no families placed for longer than 6 weeks. This is an ambitious target that will need to be delivered within the context of the cost-of-living challenge, rising rent costs and increasing homeless applications. The plan is framed around three priorities:

- Maximising homeless prevention,
- Maximising move-on
- Finding alternative supplies of temporary accommodation

3. Service budget and proposed changes

3.1. The Neighbourhoods Directorate has a net budget of c£130m, with 1,800 budgeted FTE's.

3.2. The Homelessness budget, which is within the remit of this committee oversees a gross budget of £71.959m, and a net budget of £28.435mm, the breakdown of which is provided in the table below. The biggest proportion of the budget is spent on Temporary Accommodation, in particular B&B and Dispersed. The Net Homelessness Budget has increased from £15.1m in 2018/19, an increase of £13.3m per annum to reflect the increase in Temporary Accommodation numbers as well as investment into Prevention. The gross Homelessness budget as set out in Appendix 3 will not reduce over the budget cycle from the current base.

Table 1: Base budget 2022/23

Service Area	2022/23 Gross budget £'000	2022 / 23 Net Budget £'000	2022 / 23 Budgeted posts (FTE) £'000
In House Accommodation and B&B	31,665	7,800	126
Dispersed Accommodation	25,937	7,122	0
Homelessness Support	6,227	5,905	173
Commissioned Services	7,546	7,546	9
Asylum	584	62	9
Total	**71,959**	**28,435**	**317**

3.3. In November this scrutiny panel was presented with savings options, Homelessness has been looking to identify savings options of £4.646m over the three years to 2025/26 for consideration. The government funding settlement on 19 December 2022 reflected a change in government policy and provided more funding than had been forecast, this has provided the opportunity to review both the quantum and phasing of savings where applicable and review areas of specific investment to ensure that we minimise wherever possible the impact on service delivery across the Council.

3.4. There were no savings options proposed for Homelessness which are a reduction in service. Over the medium term the savings will be linked to the ambition to reduce numbers in Temporary Accommodation through significant reductions in B&B placements and increased prevention during 2023/26.

3.5. However, there are specific demand and inflation pressures facing the Homelessness Budgets. Government refugee and asylum schemes are placing pressure on Manchester temporary accommodation market, driving up cost, resulting in a £4m fee uplift requirement for Homeless Temporary Accommodation and this pressure has been reflected in the Medium Term Financial Plan with £4m of growth proposed for Homelessness in 2023/24. Wherever possible we have looked to ensure we are maximising external income generation, and this includes close work with colleagues in Revenues and Benefits to maximise Housing Benefit claims.

3.6. Resources of up to £1.5m held within the Homelessness reserve will be set aside and will be available for investment in supporting the potential pressures in Homelessness.

3.7. The net impact of investment, savings, use of one off reserves for potential demand pressures and the expected income from external Resettlement grants is reflected in the table below.

Homelessness	**2023/24**	**2024/25**	**2025/26**
	£'000	**£'000**	**£'000**
Investment – Dispersed Accommodation fee uplift	4,000	4,000	4,000
Savings	(1,244)	(3,314)	(4,646)
Contingency (Demand Pressures)	1,500	0	0
Resettlement Grants Externally Funded	1,244	3,314	4,646
Total	**5,500**	**4,000**	**4,000**

3.8. Review of our existing workforce structures and capacity and recognise the potential savings from changing how we budget for staff cost and make an allowance for staff turnover, staff not being at top of grade or not in the pension scheme.

3.9. All heads of service have been asked to review their own service areas to identify any opportunities for cost reductions or efficiencies through good housekeeping.

3.10. Within the Homelessness budget there are short term pressures linked to increases in demand and cost pressures in Temporary Accommodation, which is expected to last until 2024/25 after which the transformation programme is expected to have an impact and reduce the incidence of homelessness across the city.

3.11. The Council is investing to ensure these short-term pressures are funded, and is making use of all of its funding streams to support the service. In the short term these pressures are funded through resettlement funding and other grants which are likely to continue until December 2023 helping stabilise the budget position for the following 2 years until 2025/26. In addition, the Council has increased funding to support the impact of Cost of Living and reintroduced increased funding alongside Discretionary Housing Payments. This stabilised budget position allows the Directorate to focus on Transformation in the form of Homeless at Home, reducing the number of people needing Emergency or Temporary Accommodation. This work alongside the recommendations of Red Quadrant in the short term and Local Partnerships for longer term accommodation solutions will reduce demand and the requirement to provide significant numbers of Temporary Accommodation. It is important to note, that none of the reductions in budget referenced are a cut in service and the gross budget will not reduce from it’s current base, they are savings that will arise from reduced demand, as the prevent strategy takes effect.

3.12. The proposed demand reductions from Homelessness services within the remit of this scrutiny committee are summarised below and are set out in more detail in Appendix 1, with further narrative provided in the following paragraphs.

Table 2: Summary of Demand Reductions

Communities and Equalities - Homelessness	Amount of Saving 2023/24 £’000	2024/25 £’000	2025/26 £’000	Total £’000	Indicative FTE Impact
In House Accommodation and B&B	860	1,327	1,063	3,250	0
Dispersed Accommodation	384	519	269	1,172	0
Homelessness Support	0	224	0	224	0
Total	**1,244**	**2,070**	**1,332**	**4,646**	**0**

3.13. The budget strategy for Homelessness has been to contain the cost of rising need for temporary accommodation within available resources whilst also prioritising resources towards service developments that will achieve the service's priority to prevent and reduce the incidence of homelessness. This has been supported by significant additional investment from the Council, maximising draw down of Housing Benefit income that the Council can claim and seeking opportunities for accessing external funding.

3.14. The Service Transformation Programme alongside a renewed focus on Prevention will form the core of the approach to tackling and reducing homelessness over the next three years. It will be the framework in which reductions in temporary accommodation and rough sleeping are achieved.

3.15. Homelessness is a complex systems issue, and as such the Council's Senior Management Team formed a cross council steering group to oversee the transformation programme, with senior representation from Adults, Children's, Financial Management, Strategic Housing, Policy-Reform-Innovation and Revenue and Benefits. The Housing Transformation Steering Group (HTSG) reports into the Council's Housing Board, chaired by Strategic Director Growth and Development and from a political oversight perspective, reports into Cllr Joanna Midgley (Homelessness) and Cllr Gavin White (Housing & Growth) as the housing solutions to combat homelessness span both portfolios.

3.16. To provide additional capacity and capabilities, building on the good practice within Manchester but also regionally and nationally, the Council commissioned two projects (from Red Quadrant & Local Partnerships) as part of the Transformation Programme with two distinct yet interrelated briefs. The projects focussed on different areas in order to assist the Council in reshaping its Homelessness service to:

- Increase the prevention of homelessness in Manchester
- Enhance the level of support to people who are at risk or find themselves homeless
- Improve the efficiency and effectiveness of sourcing temporary accommodation
- Provide a series of deliverable property options for the medium term to reduce the rising revenue cost of the service and identify more suitable provision
- Identifying Invest to save models
- Identifying and appraising longer term models of intervention
- Providing an independent and respected local government sector voice, which highlights good practice and positions the Council to access future funding opportunities

3.17. The transformation programme sets the ambition to increase preventions to 50% from c.35%, to slow the flow into the service. This is informed by research around good practice nationally and service design work with staff, services and people with lived experience. It will still be extremely challenging to achieve particularly given the wider economic context and cost of living crisis.

3.18. An increased focus on prevention and early help is a key theme of the Future Council work on our future operating model. Future Council has also looked at how we can better use data and intelligence to inform more targeted delivery and improve our approaches to place-based working across the city, with partners.

3.19. Actions to achieve this ambition will include:

- Changes in work practices to increase prevention levels and creating dedicated resource to focus exclusively on prevention activity.
- Supporting residents through a strengths based and person centred approach to maintain existing tenancies, where appropriate and increase prevention.
- Enhancing and better targeting the support to residents once in permanent accommodation, to reduce the current level of representations.
- Better joining up our prevention resources across MCC and partners as part of the next phase of BST PIP, including i) aligning with Manchester Local Care Organisation and Integrated Neighbourhood Teams, ii) Early Help for Children and Families and the development of Think Family, iii) partners' work such as GMP new policing model, Registered Housing Providers, Education and Skills providers, VCSE sector including the Council's role supporting the sector particularly in areas of the city with less infrastructure, iv) additional investment in Early Help for adults as part of Build Back Fairer (Marmot) gamechanger proposals.
- Improving telephone access, since the beginning of the Covid crisis the main route into the Housing Solutions service has been through telephone access comprising around 90% of contacts. As at the end of October 2022 the Housing Solutions service had 3 Housing Solutions Officers answering the telephone during the standard working day. An additional 3 full time equivalent officers have now been placed on telephone contact duty and performance has improved to 75% of calls answered (507 out of 667 calls) with an average waiting time of less than 8 minutes. A target has been set that by the end of March 2023 a minimum of 85% of calls are answered with a waiting time of no more than 10 minutes.
- Homeless application interviews, the target, combining face-to-face and telephone based, is to carry out a minimum of 1,000 homeless application interviews per month or 12,000 per year. The aim is to carry out 13,050 assessment interviews per year which would equate to an average of 2 interviews per homeless applicant based on having 6,525 homeless applications in 21/22. A further target has been set that the service would offer an interview slot within 2 working days of the initial contact being made by the person.
- The Housing Solutions Service introduced, in December 2022, a programme of manager case checks on live homeless applications to ensure that cases are being progressed appropriately, Housing Solutions Officers have the necessary support with cases, homeless prevention and relief options are being identified with the ultimate result being temporary accommodation placements not needing to be made. The aim, from January 2023 onwards, is to carry out 300 case checks per week. The service, based on 6,525 per year, receives around new 125 homeless

applications per week. The Housing Solutions service currently has approximately 1,850 live homeless applications. The target will ensure that by the end of March 2023 the Housing Solutions Service has the necessary understanding of case detail.

3.20. A key aspect of the Homelessness Prevention strategy is to target homeless prevention interventions/investment against the main causes of homelessness in the city. The main cause of homelessness in Manchester is being asked to leave the accommodation of family and friends. The experience of many other Local Authorities is that many people can continue to live with family or friends if there are reasonable prospects of longer-term re-housing. This is achieved by awarding the same level of priority for re-housing on the social housing register as that which would be awarded if the person was placed in temporary accommodation. The Manchester approach will be to award a Band 2 status for re-housing if the person is owed either the relief or main duty under homelessness legislation.

3.21. A homelessness main duty (to secure temporary accommodation) can only be ended under legally defined circumstances with the most common one being the offer of a 'lifetime' social housing tenancy. Homeless legislation permits a Local Authority to end the duty through a private rented tenancy if the fixed period of the tenancy is for a minimum of 12 months. The main duty must be reinstated if the person reapproaches as homeless within a 2 year period. It is believed that there are many people in temporary accommodation who would take a private rented tenancy but do not want to lose their priority for social housing tenancy. Essentially seeing private rented accommodation as a 'stepping stone' tenure towards social housing. The experience of other Local Authorities is that many moves from temporary accommodation can be achieved by not ending the main duty (in Manchester removing the Band 2 award) when people accept a private rented tenancy. This will result in a reduction in TA numbers but no increase in the number of Band 2 applicants on the housing register.

3.22. The Homeless Service will adopt an 'invest to save' approach towards homeless prevention comparing the cost of a prevention investment (e.g. paying a bond to secure a private rented tenancy) against the notional cost of placing a person in TA. Almost exclusively the cost of the prevention will be a fraction of the cost of TA.

3.23. The Homeless Service is rolling out the new approach set out in paragraphs 3.17 to 3.21 including conveying the new approach to partners. Other prevention options, against the main causes of homelessness, are being worked up.

3.24. <u>Allocations Policy</u>

3.25. The principal purpose of an allocations scheme is to set out the framework by which available social housing will be let to housing applicants including the 'reasonable preference' (priority) for re-housing afforded to specific groups of housing applicants including homeless people. The current Manchester

Allocations Policy awards the following priority banding to homeless people based on their homeless duty status:

- Prevention Duty – Band 3
- Relief Duty – Band 2
- Main Duty – Band 2

3.26. The Homeless Service and Council's Housing Board is strongly of the view that the current framing of the Allocations Policy does not encourage residents in approaching early in their homeless situation given that a lower level of priority is awarded at the prevention duty stage. It is notable that the Leeds Allocations Policy awards the same level of priority for re-housing to applicants owed the prevention, relief and main duty and this is a contributory factor to people presenting early (at the prevention duty stage) and low temporary accommodation numbers.

3.27. Manchester is taking proactive steps to address the current position whereby admission to bed and breakfast/other temporary accommodation is the principal route by which people can address their homeless situation. A key action is to better use the private rented sector as an interim housing option that homeless applicants can use pending re-housing by a social landlord. This is practice adopted in Leeds and Camden whereby homeless applicants who accept a private rented tenancy do not lose their priority status for social re-housing. At present, the Manchester Allocations Policy does not permit this practice; as a private rented tenancy can only be secured for applicants owed the main duty with this duty not being ended through the offer of the private rented tenancy so that the person still has a Band 2 for social re-housing.

3.28. To directly address this key issue a report was submitted to the Housing Access Board in December 2022 proposing the following:

- Applicants owed the prevention duty will be awarded Band 2 status for re-housing – the same award made to applicants owed the relief and main duties
- Applicants owed the prevention or relief duty who accept a private rented tenancy will not lose their Band 2 status

3.29. The Housing Access Board representatives agreed in principle to these proposals and the Strategic Housing Service is writing to every locally operating Registered Provider to advise on the proposals.

3.30. The Homeless Service and Council's Housing Board is strongly of the view that the proposals will not result in a substantial increase in the number of housing applicants owed Band 2 for re-housing on the basis of the short-term sequential nature of the homeless duties. A person awarded Band 2 status on the basis of being owed the prevention duty would invariably have secured the Band 2 status at the relief duty but most importantly when they had been placed in temporary accommodation.

3.31. The key to delivering savings in Homelessness is to reduce the placements into B&B and Dispersed Accommodation, the reductions reflected below are achievable given the increased focus on Prevention and changing the way the current service operates.

3.32. The majority of the proposed savings are linked to a reduction in B&B and Dispersed Accommodation placements. The Homelessness Service are working with private sector landlords to try and reduce the number of people who are evicted, with a targeted communications campaign to encourage people to seek advice and support early, prior to eviction. Alongside the hubs, there will be a better joining up of prevention resources across the Council and partners as part of the next phase of Bringing Services Together and Building Back Fairer. Examples include aligning with Manchester Local Care Organisation, Integrated Neighbourhood Teams, Early Help for Children and Families, as well as forming partnerships with voluntary and faith-based organisations. Registered Providers in the city are repledging to ensure there are no evictions from registered provider accommodation.

3.33. Transformation, review of and implementation of Transformation Prototypes alongside the changes to the Allocations procedure which drive the reduction in activity**.** It is expected that these reductions will result in activity reductions reflected in tables 4 and 5.

- **Reduction in referrals to B&B** - In 2021/22 there were 3,209 referrals into B&B, linked to the Prevention work it is expected that the service will deliver a decrease in numbers being placed in B&B of 5% in 2023/24, 10% in 2024/25 and 15% in 2025/26. The strategic ambition is to reduce B&B usage to zero and the financial model will be updated as progress is made in this area, but recognising the fact that investment is needed in Prevention strategies
- **Reduction in average length of B&B placement -** Alongside the reduction in referrals of 5% per annum, it is expected that the average time spent in B&B would also reduce by 5% per annum as shown in the table below.
- **Reduction in Dispersed Placements –** linked to an increase in PRS placements of 15% for Families and 5% for singles, there will be a reduction in placements in Dispersed properties.
- **Increase in Property Found –** in 2021/22, there were 174 properties found, a 20% year on year increase will be delivered with a fully staffed PRS team and a move to upstream prevention.

Table 3 below reflects the number of referrals into the B&B service in 2021/22 and what the referrals would look like once Transformation prototypes are implemented, with table 4 reflecting the expected numbers in Dispersed Accommodation.

Table 3: B&B Referrals

Annual B&B Referrals	Families	Singles	Total
2021/22 Actual	1,252	1,957	3,209
2023/24 Forecast	1,189	1,859	3,049
2024/25 Forecast	1,070	1,673	2,744
2025/26 Forecast	910	1,422	2,332

Table 4: Dispersed Accommodation Placements

Annual Dispersed Placements	Families	Singles	Total
2021/22 Actual	1,412	193	1,605
2023/24 Forecast	1,395	208	1,603
2024/25 Forecast	1,353	176	1,529
2025/26 Forecast	1,311	145	1,455

3.34. Alongside focus on Prevention, the Housing Strategy sets out the delivery of 1,000 more affordable homes each year, increasing the level of housing available as well as aiding prevention through, direct delivery, partnership working and affordable rents. Tackling homelessness is a key dimension of the Council's overall strategic asset management plan. Recently, several Council properties were identified for refurbishment as Temporary Accommodation within the Rough Sleeping Accommodation Programme. The service is now working with Strategic Housing to develop a specific acquisition strategy to purchase affordable stock that is likely to be lost from the Private Rented Sector; refurbishing and repurposing unused Council owned assets; and creating a clearer mechanism for developing and inviting proposals from prospective developers. This work also includes reviewing incentive schemes for settled accommodation options working with private rented sector.

3.35. £3.25m of demand reductions can be achieved over the 3 year period in B&B Accommodation schemes as reflected in Table 3, this is a combination of reductions made for Transformation and changes in Allocation's procedure which will reduce the number of families in B&B, as residents are supported to remain in current accommodation.

3.36. A further £1.172m of demand reductions will be delivered in Dispersed Accommodation, this is linked to Transformation and an increase in the number of Dispersed Accommodation properties which are managed by a Registered Provider to reduce the Housing Subsidy loss incurred by MCC in providing this service, an evaluation of the existing pilot is underway.

3.37. The remaining £224k of proposed savings are linked to an increase in vacancy factor of 2% to 5.5% for Homelessness, this reflects the ongoing difficulties in recruitment and brings the vacancy factor in line with existing and expected levels of vacancy. It is proposed that this saving will be delivered in 2024/25 as the underspend in mainstream staffing budgets in 2023/24 will be retained to fund the new posts created to support the Transformation work and staffing levels will be reviewed as part of the ongoing Transformation work.

3.38. Pressures are being created in the system by the resettlement schemes and these are currently being managed through the available grants, however if the schemes were to stop it is likely that greater pressures will emerge. It is expected that Resettlement schemes will continue over the next few years and will not end before March 2024 at the earliest.

3.39. In the longer term, follow on workstreams from Local Partnerships work will;
- Identify potential invest to save models.
- Identify and appraising longer term models of potential intervention.
- Provide an independent and respected local government sector voice, which highlights good practice (where it may be applicable to Manchester) and positions the Council to access future funding opportunities.

3.40. Move On from Temporary Accommodation

3.41. A number of the Manchester Registered Providers have agreed to make an additional 90 lets to families who are long-term resident in dispersed temporary accommodation with the focus being on those who have housing applications registered from before January 2020. The applicants will have their housing application priority status placed in Band 1 for re-housing and backdated to the date of move-in to temporary accommodation. The Allocations Policy Band 1 provision of 'management discretion' will be triggered to facilitate these priority awards. Applicants will be able to bid for available properties through choice-based lettings to ensure that families have a high level of choice in determining where they want to live. It is envisaged that the lettings will be made between January and June 2023. The released dispersed temporary accommodation units will be made available for families who are currently or would otherwise be placed in bed and breakfast accommodation. The success of the scheme heavily depends on the Homeless Service better preventing homelessness so that fewer new people require temporary accommodation.

3.42. The GMCA has secured £3.9m, to be drawn down in 2023/24, to deliver a capital leasing scheme providing longer-term tenancies to homeless families as move-on from temporary accommodation. The scheme will deliver 200 homes which will be sourced from private landlords and managed by local Registered Providers. The properties will be let on assured shorthold tenancies. The capital grant is intended to cover the net cost of the provision. It is assumed that Manchester will be allocated 100 of the 200 properties. Further work on scheme detail will be carried out from January 2023.

3.43. Alternative Temporary Accommodation to B&B

3.44. The Homeless Service is working with private providers in the city to deliver a leasing scheme for 200 units of self-contained dispersed accommodation that will be used as an alternative to bed and breakfast placements. The ask to providers is to deliver 120 two-bed, 60 three-bed and 20 four-bed properties. The term of the initial lease arrangement will be five years. The providers will be offered guaranteed rental payments and provision to cover repair and furniture costs. The ask to providers is to deliver 200 properties by the end of March 2022 although this is recognised as being an extremely demanding target. It is forecast that the initiative will cost the Council £8.7m over the five-year term and result in cost avoidance of approximately £34m over the five-year period. This is based on a current net cost of one bed and breakfast placement of £819 per week once housing benefit deducted. The success of the scheme heavily depends on the Homeless Service better preventing homelessness so that fewer new people require temporary accommodation.

4. Emerging Pressures and Growth

4.1. There are specific demand and inflation pressures facing the Homelessness Budgets. Government refugee and asylum schemes are placing pressure on the Manchester temporary accommodation market, driving up cost, resulting in a £4m fee uplift requirement for Homeless Temporary Accommodation.

4.2. Where temporary accommodation is required the provision of dispersed temporary accommodation delivers a more affordable and suitable accommodation model than the use of B&B emergency hotel provision. Hotel accommodation for one family costs the Council on average £924 per week. There are currently (December 2022) over 200 families in B&B type accommodation in housing need. Over 90 have been in this accommodation in excess of 42 days, this means the Council is in breach of its statutory responsibility in this regard. This type of accommodation fails to provide the full facilities that a self-contained unit of accommodation can and providing support to household in hotels the Council does not manage is extremely challenging.

4.3. Supporting the elimination of B&B usage for families relies upon a steady supply of dispersed temporary accommodation from the 19 accommodation providers on the temporary accommodation framework agreement. Cost-of-living implications, mortgage rate rises, escalating property maintenance and material costs are resulting in accommodation providers struggling to procure enough temporary accommodation to meet current needs based on existing rental rates.

4.4. Whilst officers are progressing the prevention work outlined above, which should result in an overall reduction in the amount of temporary accommodation, it is essential that a rental uplift on temporary accommodation is secured to sustain existing temporary accommodation currently and support the flow of new stock required to reduce B&B numbers. A key decision has been approved January 2023 and an uplifted rate applied from February 2023.

4.5. Within the Homelessness budget there are underlying pressures of linked to increases in demand and cost pressures in Temporary Accommodation. In the short term these pressures are funded through resettlement funding and other grants which is likely to continue until December 2023 helping stabilise the budget position for the following 2 years until 2025/26. In addition, the Council has increased funding to support the impact of Cost of Living and reintroduced increased funding alongside Discretionary Housing Payments. This stabilised budget position allows the Directorate to focus on Transformation in the form of Homeless at Home, reducing the number of people needing Emergency or Temporary Accommodation. This work alongside the recommendations of Redquadrant in the short term and Local Partnerships for longer term accommodation solutions which will reduce demand and the requirement to provide significant numbers of Temporary Accommodation. It is important to note, that none of the reductions in budget referenced are a cut in service, they are savings that will arise from reduced demand.

4.6. Appendix 2 reflects the approved Medium Term Financial Plan for the Homelessness service in the remit of Communities and Equalities Scrutiny.

4.7. Appendix 3 reflects the Gross and Net Budget for Homelessness over the next three years.

5. Workforce

5.1. The Council's establishment is fully budgeted for at the top of the grade. In reality there are vacancies caused by staff turnover, recruitment difficulties and staff employed throughout the grade scale. In order to avoid budgeting for costs that will not be required and making bigger cuts elsewhere, adjustments are being made to reflect these issues by applying a vacancy factor to recognise that vacancies will always exist. The continued challenges in filling posts also means that the council is working hard on ensuring we are an employer of choice and can attract people and minimise the pressures on our existing workforce.

5.2. As outlined in section 3, £224k of the proposed savings are linked to an increase in vacancy factor of 2%, increasing the vacancy factor from 3.5% to 5.5% for Homelessness, this reflects the ongoing difficulties in recruitment and brings the vacancy factor in line with existing and expected levels of vacancy. It is proposed that this saving will be delivered in 2024/25 as the underspend in mainstream staffing budgets in 2023/24 will be retained to fund the new posts created to support the Transformation work and staffing levels will be reviewed as part of the ongoing Transformation work.

6. Equality and Anti-Poverty Impact

6.1. Consideration has been given to how the proposed savings could impact on different protected or disadvantaged groups. Where applicable proposals will be subject to completion of and Equality Impact Assessment (EqIA) and an Anti-Poverty Assessment as part of the detailed planning and implementation.

7. Future Opportunities and Risks

7.1. The scale and complexity of transforming Manchester's homeless service at pace is challenging due to increased demand and macro pressures (national policy, economic, cost of living crisis). It is likely that the cost of living crisis will result in more people struggling to make ends meet who will require homeless prevention advice, as well as support. The service is working closely with departments within the Council and other organisations across the city to minimise the number of people who become homeless. Homeless prevention is a key strand in the Homeless Transformation Programme – A Place called Home.

7.2. Even if Transformation is successful there is a real risk that the numbers presenting as Homeless in Manchester will continue to rise and could even rise at a higher rate than we have seen previously.

7.3. The Housing market provides both risks and opportunities to provide more affordable and appropriate options (e.g. rent increases, affordable supply)

8. Appendices

Appendix 1 – Savings Schedule
Appendix 2 – Indicative Medium-term budgets by service
Appendix 3 – Indicative Medium-term budgets by type of spend / income

Appendix 1 - Savings Schedule

Service	Description of Saving	Type of Saving	RAG Impact	Amount of Saving 2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000	Indicative FTE Impact
Homelessness								
	Implementation of Transformation Prototypes	Service Transformation	A reduction in Temporary Accommodation Placements, B&B and Dispersed Accommodation. Annual forecast spend of c£17m in these areas in 2022/23.	494	1,096	1,332	2,922	
	Changes to Allocations Procedure	Efficiency	To deliver this saving there needs to be a change in the Allocations Procedure to allow people to be classified as Homeless at Home at the Prevention stage. If this decision is not made the savings are not achievable	500	500	0	1,000	
	Increase in Vacancy Factor	Efficiency	Increase in vacancy factor to reflect the underspend on mainstream staffing in previous years. £224k, a 2% increase from 3.5% to 5.5%. Vacancies are being utilised in 2023/24 to fund Transformation posts/double running	0	224	0	224	
	Expansion of Dispersed Accommodation Pilot	Efficiency	An expansion of the current pilot, increased properties managed by a Registered Provider would reduce the Housing Subsidy loss to MCC by £0.5m	250	250	0	500	
Total				**1,244**	**2,070**	**1,332**	**4,646**	**0.0**

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Appendix 2: Indicative Medium term budgets by service

Communities and Equalities	**2022/2023 Budget £'000**	**2023/2024 Indicative Budget £'000**	**2024/2025 Indicative Budget £'000**	**2025/2026 Indicative Budget £'000**
In House Accommodation and B&B	7,800	6,940	5,613	4,550
Dispersed Accommodation	7,122	10,738	10,219	9,950
Homelessness Support	5,905	5,905	5,681	5,681
Commissioned Services	7,546	7,546	7,546	7,546
Asylum	62	62	62	62
Total	**28,435**	**31,191**	**29,121**	**27,789**

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Appendix 3: Indicative Medium-term budgets by type of spend / income

Communities and Equalities	**2022/2023 Budget £'000**	**2023/2024 Indicative Budget £'000**	**2024/2025 Indicative Budget £'000**	**2025/2026 Indicative Budget £'000**
Expenditure:				
Employees	15,172	15,172	15,172	15,172
Running Expenses	56,787	64,524	59,506	59,506
Capital Financing Costs				
Contribution to reserves				
Sub Total Subjective Expenditure	**71,959**	**79,696**	**74,678**	**74,678**
Less:				
Other Internal sales				
Gross Expenditure	**71,959**	**79,696**	**74,678**	**74,678**
Income:				
Government Grants	-15,046	-15,046	-17,116	-18,448
Contributions from Reserves	0	-5,018	0	0
Other Grants Reimbursements and Contributions	-2,943	-2,906	-2,906	-2,906
Customer and Client Receipts	-25,535	-25,535	-25,535	-25,535
Other Income				
Gross Income	**-43,524**	**-48,505**	**-45,557**	**-46,889**
Total Net Budget	**28,435**	**31,191**	**29,121**	**27,789**

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Manchester City Council
Report for Resolution

Report to: Economy Scrutiny Committee – 9 February 2023
Executive – 15 February 2023

Subject: Growth and Development 2023/24 Budget

Report of: Strategic Director Growth & Development

Summary

Members will recall that at the November round of scrutiny meetings the Council was forecasting an estimated budget shortfall of £112m over the three years with £44m in 2023/24. As part of the action to address the budget shortfall officers identified potential savings options of £42.3m over three years, of which there were savings options of £2.398m within the remit of this scrutiny committee.

The provisional financial settlement announced 19 December reflected a change in government policy in relation to funding inflation and social care pressures. This has given the opportunity to review the quantum and phasing of savings. It is now proposed that options of £36.2m are progressed, of which £2.169m is within the remit of this scrutiny committee.

This report provides a further update to members on the priorities for the services in the remit of this committee and details the changes to the initial revenue budget options proposed by officers in November 2022.

Each scrutiny committee is invited to consider the current proposed changes which are within its remit and to make recommendations to the Executive before it agrees to the final budget proposals on15 February 2023.

Recommendations

The Economy Scrutiny Committee is recommended to:

(1) consider and comment on the forecast medium term revenue budget, and
(2) consider the content of this report and comment on the proposed changes which are relevant to the remit of this scrutiny committee

The Executive is recommended to approve these budget proposals.

Wards Affected: All

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

Equality, Diversity and Inclusion - the impact of the issues addressed in this report in meeting our Public Sector Equality Duty and broader equality commitments
Consideration has been given to how the proposed savings could impact on different protected or disadvantaged groups. Where applicable proposals will be subject to completion of an Equality Impact Assessment (EqIA) and an Anti Poverty Assessment.

Manchester Strategy outcomes	**Summary of how this report aligns to the OMS/Contribution to the Strategy**
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	The effective use of resources underpins the Council's activities in support of its strategic priorities as set out in the Corporate Plan which is underpinned by the Our Manchester Strategy.
A highly skilled city: world class and home grown talent sustaining the city's economic success	
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	
A liveable and low carbon city: a destination of choice to live, visit, work	
A connected city: world class infrastructure and connectivity to drive growth	

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

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

The changes included within this report will, subject to Member comments and consultation, be included in the final 2023/24 revenue budget set by Council on 3 March.

Financial Consequences – Capital

None directly arising from this report.

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Background documents (available for public inspection):

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

Revenue Budget Report - Executive Meeting 16 February 2022
Medium Term Financial Strategy 2022/23 to 2024/25 -Executive Meeting 16 February 2022
Growth and Development Directorate Budget 2022/23 - Executive 16 February 2022
Resource and Governance Scrutiny – 6 September 2022
Revenue Monitoring to the end of July 2022 and Budget update 2023/24 to 2025/26 - Executive 14 September 2022

1. Introduction and Purpose

1.1. The report sets out an overview of the services within the remit of this scrutiny committee and their key priorities. The budget growth assumptions in the MTFP are set out. The report provides a further update to members on the proposed savings for 2023-26 and highlights the key changes since the November scrutiny meeting. The savings have been developed in the context of the financial challenge facing the Council

2. Service overview and priorities

2.1. The Growth and Development Directorate has a pivotal role in driving the sustainable economic growth of the city to benefit everyone. This is achieved through securing new commercial and residential development, attracting inward investment, generating employment growth across the city, connecting residents to those opportunities, and supporting businesses and communities to thrive.

2.2. The Directorate is made up of the following services:

City Centre Growth & Infrastructure

2.3. The City Centre Growth & Infrastructure Team provides the essential focus and drive in the delivery of a wide range of initiatives that support inclusive growth, regeneration, and strategic transport and infrastructure provision across the city, with a particular responsibility for the city centre.

2.4. Key priorities include:

- Working collaboratively with a range of partners, facilitating the delivery of major regeneration schemes and developing infrastructure and environmental policy to drive inclusive growth across the city.
- Encouraging new inward investment to the city, facilitating the creation of new jobs.
- Aligning growth and infrastructure objectives to support delivery of the city's Climate Change Action Plan and related policies.
- Working with a range of Council services, external organisations and agencies to support place management and to ensure the holistic and effective management of the city centre, including public realm.
- Leading transport infrastructure development, including public transport investment, active travel projects and the development of overarching transport strategies, including the City Centre Transport Strategy.

Strategic Development

Major Regeneration

2.5. The Major Regeneration Team is focussed on delivering the significant regeneration opportunities provided by North Manchester and Eastern Gateway.

2.6. In North Manchester, the Victoria North initiative, which is being driven through a Joint Venture Partnership between the City Council and Far East Consortium is seeking to develop 15,000 much needed new homes across a range of tenures in 7 new or revitalised neighbourhoods at the northern edge of the city centre, together with a new city river park connecting a series of new and improved green spaces in or adjacent to the Irk River valley. The intention is that 20% of new homes developed will be affordable. This initiative, combined with the planned redevelopment of the North Manchester Health Campus (currently the North Manchester General Hospital), could provide development with a value in excess of £4 billion, catalysing the wider regeneration of the north of the city.

2.7. The team also leads on the further regeneration of the Eastern Gateway area, comprising the neighbourhoods of Ancoats, New Islington, Holt Town and the Lower Medlock Valley. Working in the “Manchester Life” Joint Venture with Abu Dhabi United Group and other developers including Registered Providers, the City Council is seeking to deliver in excess of 6,000 homes and commercial uses as part of this scheme, building on the success of what has been delivered in Ancoats and New Islington to date.

Strategic Housing

2.8. The service has developed a new 10-year housing strategy for the City which was approved in 2022 and will deliver on the following objectives:

- Increase affordable housing supply & build more new homes for all residents
- Work to end homelessness and ensure housing is affordable & accessible to all
- Address inequalities & create neighbourhoods where people want to live
- Address the sustainability & zero carbon challenges in new and existing housing

Planning, Building Control & Licensing

2.9. Planning, Building Control and Licensing service works within an ever-changing environment of national policy documents, regulations, and legal considerations which has seen additional demands placed on the service where the scale of development and the pressure on supporting compliance is already significant.

2.10. Crucially, the service plays a central role in delivering the Council’s sustainable growth agenda, promoting positive outcomes for the city, and helping to de-risk investment decisions into the city. This is about securing new development that strengthens the platform for attracting investment to deliver economic growth, the aims of the residential growth strategy and supporting an uplift in the environment that is safe, inclusive and responds to climate change. The remit of the service includes delivering all the statutory functions of the city council as local planning authority – over 4,000 planning applications per annum, appeals, heritage matters and compliance, the local authority building control function, including building and fire safety, dangerous buildings and safety at sports grounds and the licensing function, both premises and taxis.

2.11. The Service is also responsible for the review and adoption of citywide policy. The local plan - Places for Everyone and the Core Strategy will provide long term policies aimed to deliver the Council's ambitions through the spatial planning framework. The Licensing Policy will also set out how the Council will support the night-time economy whilst protecting the amenity of our residents.

2.12. Each part of the service is required to develop strong networks internally and externally along with the ability to forge effective partnerships with external Agencies and to influence the private sector and other key stakeholders to deliver key council objectives through major projects and policy development.

Investment Estate

2.13. The Investment Estate, which is managed by the Development Team, covers all aspects of the Council's non-operational property estate. This includes property and land held for investment purposes, surplus land, and development assets, along with land and development opportunities held within Joint Venture arrangements.

2.14. The estate is extremely varied and covers assets such as the Council's freehold estate at Manchester Airport, Manchester Arndale Centre, Heron House, Wythenshawe Town Centre to over 2500 freehold reversionary interests of residential properties across the City. The rent roll from assets held for investment purposes is over £20m pa.

2.15. The service is responsible for dealing with the Council's surplus land, development, and regeneration assets. This includes running a programme of capital receipts of land to support the Council's growth ambitions and budget, which involves identifying, preparing, consulting on and undertaking the disposal of assets. The use of the Council's residential development land resource is key to delivering on the recently revised Housing Strategy, in particular ensuring affordable housing targets are achieved. The current in year programme identifies c£6m of capital receipts, and the service is currently on target to deliver that.

2.16. The service also oversees the delivery of strategic land and property acquisitions through the Strategic Acquisitions budget. Again, a rolling programme of priority site acquisitions to support the wider regeneration initiatives, such as Wythenshawe Town Centre, Holt Town and Eastern Gateway, Eccleshall Street.

2.17. The service, alongside colleagues in the Corporate Estates service, is currently finalising a new asset-led approach to the strategic management of the Council's land and property portfolio of assets to bring together well established and enhanced practices and policies into a single framework document. This Strategic Asset Management Plan (SAMP) will create a new comprehensive framework against which the Council's decisions relating to its property assets are taken, measured against the Council's overarching objectives and policy documents, through a simple and transparent evaluation model. Once adopted this will be managed and resourced through close working between the two teams, ensuring a life cycle approach to the management of the Council's wider asset base including operational, non-operational, surplus and development portfolios.

2.18. Through initiatives such as Wythenshawe Town Centre and the submission of the Round 2 Levelling Up Bid, as well as the preparation of the wider masterplanning framework, which is currently out to consultation, and the acquisition of the St Modwens Shopping Centre interest the team is taking a lead role in the district centre programme. Along with Wythenshawe the team are leading on development frameworks for Gorton, Moston Lane and Withington as an initial phase of this work.

2.19. The team is also responsible for the undertaking of statutory functions including asset valuations for accounting purposes. These are carried out on an annual rolling programme by internal officers, outsourced partners and specialists procured through the Council's framework as appropriate. Other statutory advice includes undertaking planning viability assessment reviews, both when applications are received and through the reconciliation reviews contained within the s106 agreements. The service continues to work closely with colleagues in planning to ensure that new developments are seen to contribute appropriately through the statutory framework in line with national and local policy.

Manchester Adult Education Service (MAES)

2.20. MAES provides adult education, learning and skills from 7 adult education centres across the city. Its primary focus is on providing opportunities for residents with lower levels of skills & qualifications, with on average over 70% of learners on working age benefits and 80% from the City's most disadvantaged areas. Much of the skills curriculum offer is focused on English for Speakers of Other Languages (ESOL), Maths and English & Digital from entry level to GCSE with a vocational offer to Level 3 in childcare and care. There are good progression routes to employment and progression to further learning. The MAES core offer is complemented by enhanced employability support available to all learners through its Make It Happen programme.

2.21. MAES generates all its funding externally, mostly through the Greater Manchester Combined Authority (GMCA) commissioned Adult Education Budget. In addition, it receives Education and Skills Funding Agency) funding for 16- to 24-year-old Special Education Needs and Disabilities pupils, the cessation of the DLUHC funding for the Talk English programme has meant that MAES has had to diversify its income sources to maintain the provision. MAES has continued to see an impact of Covid in its delivery.

Work & Skills

2.22. The Work & Skills team is responsible for the development and delivery of the Work & Skills Strategy for the City. It provides a coordinated approach to the post-16 & adult skills and employment support offer across the city, to ensure that the offer is as coherent as possible for young people, adults and businesses and meets the city's labour market requirements. The team engages with local businesses on business growth, skills & employment opportunities and supports business networks across the city. Following Brexit and Covid, the labour market continues to be volatile with vacancies and skills gaps across both frontier and foundational sectors. The team works closely with other stakeholders and employers to maximise the most of these opportunities for Manchester residents.

Digital Strategy

2.23. Following the launch of Manchester's Digital Strategy in 2022, a small team has been recruited to help drive its delivery. Building on the city's digital strengths & working with internal and external stakeholders, the team is working to ensure that Manchester is a highly connected topflight digital city. The key priorities of the Strategy include ensuring that all the city's residents can be digitally included, connecting more & more diverse Manchester residents to the career opportunities in the sector; having highly connected neighbourhoods; continuing to support the breadth & depth of the digital sector in Manchester and using tech to contribute to the city's net zero ambitions.

Highways

2.24. The Highways Service works to improve the city's road networks and public spaces, delivering a range of work that keeps traffic flowing, maintains the public realm and designs major new highway schemes to benefit residents and visitors in Manchester. The Highways Service is made up of several teams:

- Network Management - keeping the city moving, managing parking, traffic, and other aspects of road safety
- Design, Commissioning and Project Management Team (PMO) - managing and developing our highways
- Public Realm - maintaining monuments, water features and keeping highway users safe
- Reducing congestion and supporting business and economic recovery
- Supporting active travel options of walking and cycling
- Delivering a programme of highway improvements Revenue Budget.

3. Service budget and proposed changes

3.1. The Growth and Development Directorate has a gross budget of £36.114m, generates income of £44.886m resulting in a net income budget of £8.772m, and employs 409 FTEs.

3.2. In addition to the Growth and Development Directorate, the Highways service also falls under the remit of this scrutiny panel and the Highways service has a gross budget of £27,959m and a net budget of £20,835m with243 FTE. The breakdown by service area is provided in the table below:

Table 2: Base budget 2022/23

Service Area	2022 / 23 Gross budget £'000	2022 / 23 Net Budget £'000	2022 / 23 Budgeted posts (FTE)
City Centre Growth and Infrastructure	2,757	1,057	16
Strategic Development	360	160	2
Strategic Housing	2,441	670	40
Major Regeneration	1,238	546	13
Planning, Building Control and Licensing	8,098	(621)	137
Investment Estate	8,979	(12,536)	31
MCDA	1,315	0	0
Work and Skills and MAES	10,924	1,950	170
Growth & Development Subtotal	**36,112**	**(8,774)**	**409**
Highways	25,181	20,835	243
Total	**61,295**	**12,061**	**652**

3.3. In November this scrutiny panel was presented with savings options of £3.54m over the three years for consideration. The Government funding settlement on 19 December 2022 reflected a change in Government policy and provided more funding than had been forecast, this has provided the opportunity to review both the quantum and phasing of savings to ensure that we minimise wherever possible the impact on service delivery. The key changes to savings options since the last committee are set out below:

Growth & Development

3.4 Growth & Development initially proposed savings of c£2.044m over the three-year period. Following the review, savings options of £100k have been removed from the options presented in November. The table below sets out the details of savings that have been removed and Appendix 1 details the revised savings options of £1.944m from Growth & Development, and there is further narrative on the savings options below.

Removed Savings Description	2023/24 £000's	2024/25 £000's	2025/26 £000's	Total Removed £000's
Reduced capitalisation of salaries	(100)	0	0	(100)
Total Removed Savings	**(100)**	**0**	**0**	**(100)**

Growth and Development Budget Savings/Cuts

Investment Estate

3.5 The Department receives a proportion of annual rental income from Manchester Airport Group. Based on estimates provided by the Airport, additional income of £1.615m income has been built into the budget over the next three-year period. Achievement of this income is dependent on performance being in line with or better than the forecasts provided.

3.6 A review of the funding arrangements for staff has identified opportunities to capitalise staffing costs, the initial proposal was £250k per annum, but following the review off all options this has been reduced by £100k to £150k. This review has taken into consideration the most appropriate source of funding given the activities of staff.

3.7 The proposed sale of an asset in Wythenshawe will result in a capital receipt, there is currently a budget of £170k in respect of the internal loan used to fund the acquisition of the building. Once the site is disposed of the outstanding borrowing will be settled and there will be a saving of £170k per annum.

Strategic Housing

3.8 The deletion of a vacant grade 4 post will result in a £9k saving to the General Fund, with the balance of the saving being reflected in the Housing Revenue Account.

Highways Services

3.9 Highways services are within Neighbourhood Services directorate, but fall under the remit of this scrutiny committee, and details of the revised savings and changes since November meeting are set out below.

3.10 As part of looking to identify possible savings to support the overall budget, priority has been given to generating increased income. Highway's initial proposals were £354k over three years but following review the total highways savings proposals have reduced by £129k to a revised total of £225k. The revised proposals are made up of a combination of increased income £160k and deleting 2 vacant positions £60k, the table at Appendix 1 sets out the revised savings proposals for approval and the table below sets out details of the initial proposed savings that have now been removed.

Removed Savings Description	2023/24 £000's	2024/25 £000's	2025/26 £000's	Total £000's
Not undertake maintenance work outside off working hours	(75)	0	0	(75)
Change Neighbourhood liaison role	(54)	0	0	(54)
Temporarily reduce gully cleansing	(250)	0	250	0
Total removed savings	(379)	0	250	(129)

3.11 The table in Appendix 3 sets out the three-year budget position for the directorate, and further narrative is provided in the following paragraphs.

4. Investment and Growth

4.1. It is proposed to invest £300k to provide additional resources to enable capacity to support the establishment of a new team within City Centre Growth and Infrastructure, and to provide additional capacity to the Highways Development Specialist team. The teams will work closely together to ensure that an integrated and holistic approach is taken to the development and delivery of strategic infrastructure across the city, with an initial focus on the development and delivery of our sustainable and active travel programmes and driving forward delivery of our Clean Air and net-Zero Carbon transport aims in line with Our Manchester Strategy. These roles will ensure alignment of scheme delivery, for all our residents, in line with our 2038 net-zero carbon and 2040 Strategy transport commitments.

5. Workforce

5.1 As part of the savings proposals there is an overall reduction of 2 FTE and these are all currently vacant posts.

5.2 The Council's establishment is fully budgeted for at the top of the grade. In reality, there are vacancies caused by staff turnover, recruitment difficulties and staff employed throughout the grade scale. In order to avoid budgeting for costs that will not be required and making bigger cuts elsewhere, adjustments are being made to reflect these issues by applying a vacancy factor to recognise that vacancies will always exist. The continued challenges in filling posts also means that the council is working hard on ensuring we are an employer of choice and can attract people and minimise the pressures on our existing workforce.

6. Future opportunities and Risks

6.1. The Directorate continues to be affected by Covid, particularly around the investment estate and tenants seeking support for rent holidays – work is ongoing to assess each request on a case-by-case basis.

6.2. Current economic climate and cost of living crisis, particularly implications on development and investment in the city and particularly cost of living impact on residents.

6.3. Legislative changes in building safety requirements and change in requirements and increased demands on Planning and Building control.

7. Appendices

Appendix 1 – Savings Schedule
Appendix 2 – Indicative Medium-Term Budgets by Service
Appendix 3 – Indicative Medium-Term Budgets by Type of Spend Income

Appendix 1 - Savings Schedules

Service	Description of Saving	Type of Saving	RAG Impact	Amount of Saving				Indicative FTE Impact
				2023/24	2024/25	2025/26	Total	
				£'000	£'000	£'000	£'000	
Investment Estate	Recognise annual agreed increase in Manchester Airport Group Rents	Income Generation	Minimum rents increase in line with contracts	630	170	815	1,615	0
Investment Estate	No invest to save recharge following sale of property	Efficiency	None	170	0	0	170	
Investment Estate	Charge staff time to capital/sale activity	Efficiency	Will increase capital costs, but reflective of activity levels	150	0	0	150	0
Strategic Housing	Delete existing vacancy in strategic housing	Efficiency	Potential reduced staffing capacity	9	0	0	9	1
Total				**959**	**170**	**815**	**1,944**	**1**

Highways Savings Schedule

Description of Saving	Type of Saving	RAG Impact	Amount of Saving				Indicative FTE Impact
			2023/24	2024/25	2025/26	Total	
			£'000	£'000	£'000	£'000	
Developer Fee Income - S278's would generate fees for checks, and approvals to designs etc.	Income Generation	Increased costs for developers	0	35	0	35	0

Increased fee income from design and project management work	Income Generation	Increased capital costs for staff time on design and project management	75	0	0	75	0
Delete 2 vacant posts in highways maintenance team	Efficiency	Reducing in size the workforce reduces the flexibility to respond to unscheduled challenges in the future	65	0	0	65	2
Income from Weekend inspections	Income	New Evening & weekend Highway Inspectors will prevent non-permitted on non-licensed works taking place. As a result, there will be more FPN's issued to developers & utility companies	50	0	0	50	0
			190	**35**	**0**	**225**	**2**

Appendix 2: Indicative Medium term budgets by service

Service Area	**2022/2023 Budget**	**2023/2024 Indicative Budget**	**2024/2025 Indicative Budget**	**2025/2026 Indicative Budget**
	£'000	**£'000**	**£'000**	**£'000**
City Centre Growth and Infrastructure	1,057	1,357	1,357	1,357
Strategic Development	160	160	160	160
Strategic Housing	670	661	6616	661
Major Regeneration	546	546	546	546
Planning, Building Control and Licensing	(621)	(621)	(679)	(679)
Investment Estate	(12,536)	(13,786)	(13,956)	(14,771)
Work and Skills and MAES	1,950	1,950	1,950	1,950
Total	**(8,774)**	**(9,733)**	**(9,903)**	**(10,718)**

Service Area	**2022/2023 Budget**	**2023/2024 Indicative Budget**	**2024/2025 Indicative Budget**	**2025/2026 Indicative Budget**
	£'000	**£'000**	**£'000**	**£'000**
Highways	20,835	20,645	20,610	20,610

Appendix 3: Indicative Medium-term budgets by type of spend / income

Growth & Development	2022/2023 Budget £'000	2023/2024 Indicative Budget £'000	2024/2025 Indicative Budget £'000	2025/2026 Indicative Budget £'000
Expenditure:				
Employees	19,685	19,976	19,976	19,976
Running Expenses	14,012	14,012	14,012	14,012
Capital Financing Costs	2,339	2,169	2,169	2,169
Contribution to reserves	0	0	0	0
Sub Total Subjective Expenditure	**36,036**	**36,157**	**36,157**	**36,157**
Less:				
Other Internal sales	(459)	(609)	(609)	(609)
Gross Expenditure	**35,577**	**35,548**	**35,548**	**35,548**
Income:				
Government Grants	(8,454)	(8,454)	(8,454)	(8,454)
Contributions from Reserves	(3,971)	(3,971)	(3,971)	(3,971)
Other Grants Reimbursements and Contributions	(70)	(70)	(70)	(70)
Customer and Client Receipts	(31,854)	(32,784)	(32,954)	(33,769)
Other Income	(2)	(2)	(2)	(2)
Gross Income	**(44,351)**	**(45,281)**	**(45,451)**	**(45,451)**
Total Net Budget	**(8,774)**	**(9,733)**	**(9,903)**	**(10,718)**

Highways	2022/2023 Budget £'000	2023/2024 Indicative Budget £'000	2024/2025 Indicative Budget £'000	2025/2026 Indicative Budget £'000
Expenditure:				
Employees	11,196	11,131	11,131	11,131
Running Expenses	25,355	25,355	25,355	25,355
Capital Financing Costs	1,990	1,990	1,990	1,990
Contribution to reserves	0	0	0	0
Sub Total Subjective Expenditure	**38,541**	**38,476**	**34,476**	**34,476**
Less:				
Other Internal sales	(10,583)	(10,583)	(10,583)	(10,583)
Gross Expenditure	**27,957**	**27,892**	**27,892**	**27,892**
Income:				
Government Grants	(3,043)	(3,043)	(3,043)	(3,043)
Contributions from Reserves	(1,118)	(1,118)	(1,118)	(1,118)
Other Grants Reimbursements and Contributions				
Customer and Client Receipts	(2,962)	(3,086)	(3,121)	(3,121)
Other Income				
Gross Income	**(7,122)**	**(7,247)**	**(7,282)**	**(7,2,82)**
Total Net Budget	**20,835**	**20,645**	**20,610**	**20,610**

Manchester City Council
Report for Resolution

Report to:	Resources and Governance Scrutiny Committee – 7 February 2023 Executive – 15 February 2023
Subject:	Housing Revenue Account 2023/24 to 2025/26
Report of:	Strategic Director (Growth & Development) Strategic Director (Neighbourhoods) Deputy Chief Executive and City Treasurer

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Summary

This report presents members with details on the proposed Housing Revenue Account (HRA) budget for 2023/24, an indication of the 2024/25 and 2025/26 budgets, alongside the outlook for the 30-year HRA business plan in light of the budget proposals.

As part of the budget setting process the rent levels also need to be set. Social rents have been subject to annual increases aligned to a national rent policy. Usually this would allow social housing rents to be increased by up to the consumer price index (CPI) plus 1%, meaning that next year’s rents would be increased by 11.1%.

The cost-of-living crisis resulted in the Government launching a consultation exercise around the level at which the rent cap should be set at in 2023/24. The government has since advised that the maximum social rent increase will be capped at 7%, with an exception for properties within PFI contracts, where the standard PFI unitary charges are contractually linked to inflation measures.

The report therefore seeks approval to increase rents in line with current Government guidance of restricting rent increases to a maximum of 7% for all properties, except PFI properties, where standard increase of CPI +1% (11.1%) is proposed, also in line with Government policy.

Given the current economic climate, both the cost-of-living pressures faced by tenants and the inflationary impacts of running services within the HRA need to be considered when setting the overall budget including rent levels. Given the impact on tenants of rent increases, a larger support fund for residents in need is proposed.

It is also proposed that the City Council continue with the policy of aligning rents to the formula rent level when properties are re-let.

Recommendations

Scrutiny Committees are invited to review and comment on the proposed HRA Budget.

The Executive is recommended to:

a) Note the forecast 2022/23 HRA outturn as set out in section 4.

b) Approve the 2023/24 HRA budget as presented in Appendix 1 and note the indicative budgets for 2024/25 and 2025/26.
c) Approve the proposed increase to dwelling rents, and delegate the setting of individual property rents, to the Director of Housing Operations and the Deputy Chief Executive and City Treasurer, in consultation with the Executive Member for Housing and Development and the Executive Member for Finance and Human Resources.
d) Approve the proposal that we continue with the policy of where the 2023/24 rent is not yet at the formula rent level, the rent is revised to the formula rent level when the property is re-let.
e) Note the proposed 2023/24 changes for communal heating charges as detailed in paragraphs 6.11 to 6.21 and approve the change in policy so that charges can be aligned with the Ofgem price cap over the following financial year in a phased approach and adjusted in line with any change to the Ofgem price cap once alignment has been reached thereafter.
f) Approve a proposed £1m support fund to support residents and tenants with increased costs of both rent and heating charges.
g) Approve the proposed 2023/24 Housing Operations revenue budget as detailed in paragraphs 6.33 to 6.38.
h) Approve the proposed increase in garage rental charges as outlined in paragraph 6.42

Wards Affected: Ancoats & Beswick, Charlestown, Cheetham, Crumpsall, Harphurhey, Higher Blackley, Moston, Ardwick, Clayton & Openshaw, Miles Platting & Newton Heath and Piccadilly

Environmental Impact Assessment – the impact of the issues addressed in this report on achieving the zero-carbon target for the city.
As part of developing the HRA capital programme the retrofitting of existing homes to meet zero carbon objectives is at the heart of the programme.

Equality, Diversity and Inclusion - the impact of the issues addressed in this report in meeting our Public Sector Equality Duty and broader equality commitments
Consideration has been given to how the proposals in the HRA budget could impact on different protected or disadvantaged groups. Where applicable proposals will be subject to completion of an Equality Impact Assessment (EqIA).

Manchester Strategy Outcomes	Summary of the contribution to the strategy
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	A healthy and fit for purpose affordable housing market will support a functioning local and sub regional economy.
A highly skilled city: world class and home-grown talent sustaining the city's economic success	Access to appropriate affordable housing and services will support residents to achieve and contribute to the city.
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	The supply of affordable good quality homes will provide the opportunity for Manchester residents to raise their individual and collective aspirations.
A liveable and low carbon city: a destination of choice to live, visit and work.	The right mix of affordable quality energy efficient housing is needed to support growth and ensure that our growing population can live and work in the City and enjoy a good quality of life.
A connected city: world class infrastructure and connectivity to drive growth	Affordable social housing plays an important part in ensuring that there are neighbourhoods where people will choose to live, and their housing needs and aspirations are met.

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

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

All expenditure and income related to the provision of Council housing must be contained within the Housing Revenue Account which is a ring-fenced fund separate to the Council's General Fund.

The HRA financial plan covers a rolling period of 30 years and considers all rental incomes, Private Finance Initiative (PFI) grants and heating charges, which must be used for the purpose of funding the costs of managing and maintaining HRA assets.

Whilst HRA expenditure can exceed income in any given year, any deficit must be funded from HRA reserves, and the HRA cannot go into deficit overall, meaning that budgets have to be balanced over the medium to long term.

It should be noted that the HRA budget is forecast to remain in surplus in the short term although there is a forecast cumulative deficit of c£17m over the 30-year period. The deficit is a reflection of the fact that the financial model is sensitive to cumulative changes and any relatively small change in year one can have a much larger impact over the life of the business plan. Officers are continuing to look at all budgets in order to ensure that all spending is in line with agreed objectives, and that all spending represents value for money to help ensure a balanced budget over the life of the business plan.

Financial Consequences – Capital

Within the proposed HRA budget a mandatory charge for depreciation is made, and this can be used to either fund capital expenditure or reduce long term borrowing. In the current year's HRA, depreciation is forecast to be c£22m, and the capital programme is forecast to spend c£26m, further details on future capital investment plans and funding requirements in included within the body of the report.

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Background documents (available for public inspection): None

1. Introduction

1.1. The purpose of this report is to update the committee on the factors that have been considered as part of preparing the 2023/24 Housing Revenue Account (HRA) budget. This report sets out the assumptions that have been included in developing the HRA budgets, including the proposed increases to rents and heating charges alongside the proposal to increase the support fund for residents from the £200k in 2022/23 to £1m in 2023/24.

2. Statutory Duties in Determining the HRA Budget Strategy

2.1. The rules governing the operation of the HRA were established pursuant to the Local Government and Housing Act 1989 and provide that:

- The Council must formulate proposals in respect of HRA income and expenditure for the financial year which, on the best assumptions and estimates that the Council is able to make at the time, ensure that the HRA does not show a deficit balance.
- The Council is required to keep an HRA in accordance with proper practice. The Council has the responsibility to determine a strategy that is designed to ensure that the HRA is in balance over the course of the 30-year business plan.
- The HRA continues to be a ring-fenced account, this means that it must, in general, balance on a year-to-year basis, so that the costs of running the Housing Service, which include debt charges, administration costs, maintenance expenditure and PFI charges must be met from HRA income.

2.2. The ringfencing of the HRA ensures that all the income and expenditure in relation to managing of the council housing stock is separate to the General Fund and that there is no cross subsidy between either fund (tenants and the taxpayer and vice versa).

3. Background

3.1. Since the introduction of Self Financing within the HRA from April 2012 the Council has had to manage its housing stock on a similar basis to other Registered Providers of social housing. This has entailed developing a rolling 30-year business plan and reviewing the use of existing assets and long-term borrowing to ensure that benefits are maximised.

3.2. In developing the 30-year business plan it is essential that the spending reflects the priorities agreed by members, and there is adequate assurance that the plan is robust and based on sound assumptions.

3.3. The HRA business plan seeks to consider all risks and ensures that any investment decisions are affordable and sustainable both in the short and longer term. It should be noted that whilst the business plan covers 30 years, any relatively small changes now can have much larger impacts over the 30 years because of the compounding impact of those changes. Therefore, whilst the business plan is considered over the 30 years, the focus is primarily on the initial 3-to-5-year planning period, where the assumptions and estimates are most accurate. Ultimately the HRA cannot go into deficit so any indication of potential funding shortfall in the medium term will need to be addressed through savings or cost reductions as part of the budget process in order that the statutory requirement can be adhered to.

3.4. In February 2019, the Government released a policy statement on rents for social housing, which included a direction to the Regulator of Social Housing to have regard for the following when setting the rent standard for registered providers of social housing:

From 1 April 2020, registered providers may not increase rents by more than CPI (at September of the previous year) plus one percentage point in any year."

3.5. In summer 2022 the Government undertook a consultation exercise and sought views on whether the rent policy should be amended for 2023/24 due to the current high inflation rates and potential rent increase of 11.1% for all tenants under the previous rent policy. Following the consultation and as part of the Government's Autumn Statement on 17 November 2022, the Chancellor announced that social housing rents will be capped at a maximum 7%, whilst PFI scheme properties remained unaffected, and PFI rents can be increased in line with the original rent policy.

3.6. As with any capping policy, a decision not to increase rents by the maximum amount means that the income forgone is unable to be recovered in future years. This can have a large impact over the 30-year life of the HRA business plan.

3.7. This report sets out the assumptions that have been made as part of the HRA budget preparation. It should be noted that the longer-term budget is based on forecasts and is very sensitive to any changes in assumptions, in particular the level of future years rent increases.

3.8 Total HRA reserves (excluding the Insurance Reserve) are forecast to be around c£97m at the end of the current financial year (2022/23) but are forecast to reduce by c£49m by 2025/26 to around £47m. These reductions reflect the current proposed capital investment of c£103m over the next three years. This includes c£91m of HRA resources, with the balance from external grants and capital receipts, and this will change has more capital proposals are brought forward in later years. The impact of the current high inflationary costs on some contracts has also had an adverse impact on reserves. Reserves can only be used once, so to support further ongoing capital investment over and above the annual budget provision it will require identification of additional external funding, or reduced revenue costs.

3.9 Further details of the phasing of capital investment and the priority investment areas are set out in the capital section (para 6.20-6.27) of this report. The current plan does not include most works required to enable the Council to achieve its zero carbon targets by 2038. The costs of retrofitting council stock today are estimated to be an additional c.£255m or c£16.5k per property. This is the cost over and above the works already planned. This will not be achievable from within the ringfenced HRA without government support and/or changes to the current HRA regulations.

4. Current Year's Budget Position as at Period 9

4.1. The original approved HRA budget forecast that c£13.188m of reserves would be used in year to support the planned capital investment of c£33m. As of December 2022, the HRA is forecasting that expenditure will be £14.940m higher than income, which will need to be funded by the additional use of reserves to that planned. In effect the HRA is forecasting an overspend of £1.752m and the main reasons for in year changes are as follows:

- An increased number of Right to Buys following the pandemic and a higher level than budgeted for void properties (1.96% year to date against the 1% target) has meant that Housing Rents are £0.877m lower than budget. An improvement plan is in place and continues to actively reduce the level of void properties (see para 6.3), and this results in an increase in the number of lettings to residents and ongoing reduction in void rent loss.
- Northwards Housing was brought back into the City Council from July 2021, and savings of c£1.6m have been achieved through a combination of reduced accommodation costs, staffing changes and reduced running costs. The original indicative savings were c£2.4m, but on more detailed examination not all of the savings options have been realisable.
- The repairs and maintenance contract is forecast to overspend by £5.691m, due to an inflationary uplift of £1.36m and increased costs of bringing higher number of void properties back into use. There are also additional disrepair costs of c£0.9m.
- Heating charges – due to the significant increase in energy costs the cost of gas for tenants' properties is forecast to be c£2.176m higher than budget. Whilst tenants heating charges were increased at the start of the year they have not been subjected to any further increases in year, this does contribute to the significant rises proposed as part of the 2023/24 heating charges, when charges are proposed to be realigned to the energy price cap level.
- Private Finance Initiative contractor costs are £0.649m higher than forecast, due to a combination of c£400k agreed contract variations and contractual annual inflationary increases above budget of c£249k.
- The above overspending areas are offset by reduced expenditure of around £7.399m in respect of Revenue Contribution to Capital Outlay (RCCO), due to slippage and delays on several capital investment schemes, including Riverdale maisonettes, installation of Heat Pumps, and the Collyhurst redevelopment. The capital programme slippage is due to a combination of ongoing access refusals and delays in the supply chain.
- A further £0.884m is due to the fact the sprinkler works on PFI properties have now moved into 2023/24.
- Other minor underspends totalling £258k.

5. Budget Strategy 2023/24 - 2025/26

5.1. As part of preparing the HRA financial plan it is important that the plan is regularly updated to reflect the most up to date information and the assumptions around longer-term changes including housing stock numbers, proposed capital investment needs, existing inflation rates and forecast income levels.

5.2. The HRA budget complies with the statutory requirement to be in balance over the three-year budget strategy period, although there is a small deficit over the course of the 30-year business plan. This is due to several factors, including:

- the Government's imposed 1% rent reduction over four years from 2016/17, a change in policy since self-financing was introduced in 2012 and the original business plan was established.
- the ongoing increased capital investment in fire safety prevention works following the impact of the Grenfell Tower fire disaster, and other planned investments
- the current high rates of inflation that are impacting on both revenue and capital costs.

Costs are regularly reviewed in order that efficiencies can be identified to ensure that reserves are kept at a sufficient level to enable risk to be managed and resources to be available to fund future works required.

Current 2023/24 Budget Assumptions

Rental Income

5.3. In previous years Government guidance has allowed Local Authorities to increase rents by a maximum of CPI plus 1%. The CPI rate used is based on the September figure in the preceding year, and as at September 2022 CPI was 10.1% and the proposed rental increase would have been up to 11.1% for all properties. The Government announced as part of the Autumn spending statement that for 2023/24 social housing rents are to be capped at a maximum of 7%, except for PFI properties that can remain in line with the original rent policy and can be increased by CPI +1%, i.e.11.1% annual increase.

5.4. This HRA budget has been prepared on the basis of applying the maximum rent increase, that is 7% rent increase to all tenants, except for PFI properties that will be increased by 11.1% with effect from April 2023. Based on these increases the average weekly rent (based on 52 weeks) will be:

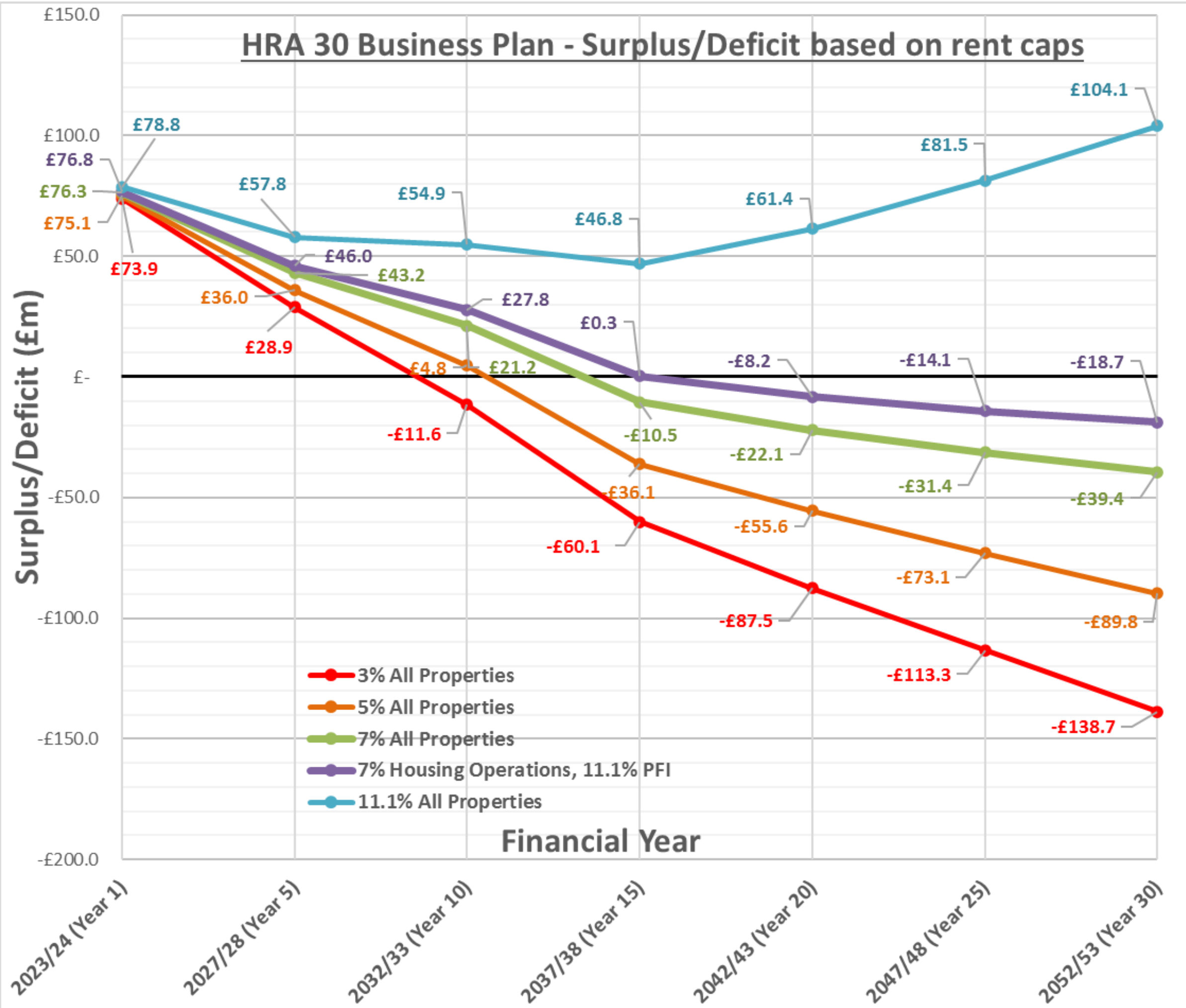
- General Needs £83.88 (£5.49 increase)
- Supported Housing £76.45 (£5.00 increase)
- PFI Managed £101.72 (£9.99 increase)

5.5. Whilst increases of 7% and 11.1% have been applied to social housing rents, the housing benefit levels have not been capped, and the proposed rent increases will be covered in full for those residents in receipt of 100% housing benefit entitlement, and tenants in receipt of universal credit will also be partially protected from the impact of any increase in rents.

5.6. In light of the current economic climate and the potential impact the proposed rent and heating charge increase may have on the most vulnerable tenants it is proposed that the hardship fund is increased from the initial £200k provided in 2022/23 to £1m in 2023/24. This fund will provide targeted support to those most affected by the cost-of-living crisis.

5.7. Whilst the cap on rents is welcomed from a tenant's perspective, there is no cap applied in respect of inflationary impacts on expenditure incurred by the HRA and the 7% increase (11.1% for properties managed under PFI contracts) results in c£2.0m less rental income in 2023/24 and c£78m over the life of the 30-year business plan, which will mean £78m less to invest into the estate over that time.

5.8. The graph below sets out the impact over the life of the business plan of the proposed 7% rent increase for all properties, except PFI properties, where the standard increase of CPI +1% is proposed. This is shown alongside the impact of the other options considered as part of the original Government consultation i.e. 3%, 5%, 7% and 11.1% for all properties. At the end of 30 years the deficit with a 7% increase for all properties and 11.1% increase for PFI properties is c£19m, but if rents for every property were increased by 11.1% the position after 30 years shows a £123m improvement to a c.£104m surplus.



5.9. The chart above shows how sensitive the HRA is to relatively small changes, particularly over the 30-year plan. Whilst the change in rent policy does reduce the rental income by c£2m in 2023/24 the longer-term implications are far more significant. This is due to the cumulative effect of the losses over the 30 years. It is still not known what the rent policy will be for future years, particularly 2024/25 if inflation remains high, but further work is required to be done in order to increase income generation or reduce expenditure to ensure a balanced position in the longer term.

6. Management of Housing Stock and Property Numbers

6.1. The Council continues to own and manage just under c15,000 properties within the HRA under various arrangements. These include in-house management of c12,000 properties, three PFI schemes that include c2,600 properties, and one management arrangement with Peaks and Plains for 11 properties. There is currently an arrangement with an RP to manage c170 properties in West Gorton, but this contract ends as at 31st March 2023 and the management of this stock will transfer to the City Council.

6.2. In the 2022/23 financial year Right to Buy Sales (RTB) have increased following the pandemic, and sales of around 230 properties are forecast in the current year. The number of sales has reduced in recent months and due to the ongoing cost of living crisis and increased interest rates it is forecast that the number of sales will reduce back to pre-pandemic levels. The budget currently assumes 1.25% for the next five years of the Business Plan, before dropping back to 1% for the remaining years of the plan. This will reduce the level of rent income achieved and the number of sales will continue to be closely monitored. The current business plan does not assume that these assets are replaced within the HRA, and as such the stock is forecast to diminish over time unless a strategy of replacement is adopted. Based on current assumptions there will be c11,300 properties at the end of 30 years, if the stock lost through Right to Buys continues at the trend rate and are not replaced.

6.3. As referenced at 4.1 above, void properties are higher than the 1% forecast as part of the original business plan. There has been an improvement on the voids position which have reduced from the December figure of 182 to 161, with 70 of these currently being refurbished. Due to the ongoing work the number of voids continues to reduce, and this is having a positive impact on relet time and void rent loss. For budgeting purposes, it has been assumed it will be at c.1%.

6.4. Bad Debts – A provision of 1% per annum based on rental income has been built into the business plan. This is a small increase on the 0.9% forecast for 2022-23. Given the likely pressure that tenants will be under because of the cost-of-living crisis this will need to be kept under review.

6.5. In 2022/23 MCC introduced the innovative HRA Support fund, allocating £200k to help council tenants to meet the increased demands imposed by higher inflation, energy and grocery costs during the cost-of-living crisis. Manchester was one of the only councils to introduce such a scheme and as at, December 2022 c.£100k has been allocated to support local residents.

6.6. As the cost-of-living crisis continues to significantly impact many of our communities, particularly those on the lowest incomes and most often in social rented properties, the council as part of the new Anti-Poverty Strategy is proposing to increase the support fund to £1m in 2023/24 so that the much-needed financial assistance is available to those most in need.

6.7. The increased support will be available from April 2023 and will provide further help for residents with increased costs of rent and heating charges. The fund is available to all HRA tenants including the council managed stock, and the three PFI arrangements. To aid residents in accessing the funds the current application process for accessing the support fund is being reviewed in order to ensure that funds can be directed more swiftly to residents.

Other Income

6.8. Other income is forecast to be c.£1.974m in 2023/24 and it is assumed that these budgets increase in line with CPI, for 2023/24 8.5% inflation is assumed, which is a slight reduction on current rates of CPI. The other income budgets are made up as follows:

- Non-Dwelling Rents and Other Income includes:
  - Rental income from garage rents, shops, offices, ground rents and telecoms masts - **£393k**
  - Other Income and Contributions – Contributions towards ground maintenance and solar panel income. This includes a one-off receipt of £0.883m in respect of transferring Elizabeth Yarwood Court from the HRA to the City Council general fund. - **£1.158m**
- Recharge to Homelessness **£233k** – rental income in relation to HRA properties used by Homelessness
- Income from Leaseholders (e.g., contribution to heating, cleaning, and repairs to communal areas) - **£112k**
- Investment Income **- £78k** in respect of interest due on balances

Private Finance Initiative Schemes

6.9. The PFI schemes are funded through a combination of PFI credits provided by the Government, and rental income for the PFI properties. Whilst the Government PFI credits are fixed and do not increase each year and so do not reflect any ongoing increases in costs. The PFI contracts are not capped and each of the PFI contracts will increase in line with contractual inflationary increases - for budget purposes the increase is forecast to be 10%. It is therefore recommended that rents for properties managed under a PFI contract are increased by 11.1%, in line with Government guidance. This also reflects the levels of expenditure on the maintenance of these properties under the terms of the contracts.

6.10. PFI schemes are funded through a combination of Government grants and rental income from PFI properties, the indicative budget at Appendix 1 shows that total PFI contractor costs in 2023/24 are c£36.3m, and this is £1.6m higher because of the inflationary increase as part of the contract. The PFI grant support is c£23.3m and this remains constant for the duration of the PFI scheme. The proposed 11.1% rent increase on PFI properties will realise c.£1.1m increased rental income.

Communal Heating

6.11. In general, and over time, it is the intention that heating charges are set to reflect the actual cost of gas consumed. However, there are reasons why in practice this is difficult to achieve:

- Charges are set based on anticipated prices for the following year and consumption from the previous year
- Some of the heating systems are not efficient in operation, although work is ongoing to improve these.

6.12. Communal heating gas is sourced as part of the City Council gas contract, and this was renewed in April 2022. At the time of 2022/23 budget setting an increase of c80% was forecast. In recognition of the uncertainty in gas prices and to provide some protection to residents the 2022/23 costs for district heating schemes were capped at a maximum increase of 20%, this was aligned to the forecast increase in the Ofgem price cap at that time.

6.13. Since the 2022/23 budget was set there has been worldwide turmoil in the energy markets mainly due to the war in Ukraine and this is seen exponential increases in wholesale gas prices. In January 2022 at the time of setting the current years HRA budget, the Ofgem price cap was £1,277, this is in effect the maximum any household can pay for energy costs based in typical usage. Following the Russian invasion of Ukraine in February 2022 and the resulting turmoil in energy markets the Ofgem price cap increased by 54% to a cap of £1,971 in April 2022 and continued to increase in subsequent reviews.

6.14. Despite the significant increase in wholesale gas prices, the price of tenants heating charges has only been subject to the original 20% increase that was approved as part of the 22/23 budget process and there has been no review or change to tenant’s heating prices during the current financial year. On average tenants are currently paying c£7.36 per week or £368 per year for heat. This has resulted in a significant under recovery of gas costs through heating charges from residents, and this is forecast to be c.£2.176m in the current financial year. This is unlike most other households who will have been subjected to regular increases in line with the Ofgem price increases In August 2022 the Government introduced the Energy Price Guarantee whilst this is lower than the Ofgem Price Cap and restricts the amount per unit that any households can pay to c£2,500, (based on average usage) this is still almost double the January 2022 price cap. Ofgem are due to issue details of the April price cap on 27 February 2023, although Government have already announced that the Energy price guarantee will increase from the current £2,500 to £3,000 – this is lower than the Ofgem cap and is set to provide the additional support to households in the current turbulent markets.

6.15. Due to the uncertainty in wholesale gas prices, and the continued increase in consumer gas prices throughout 2022, the price caps have had to be increased on a quarterly basis to provide a level of protection to all households, and as at December 2022 the Ofgem price cap was £4,279, this is an in-year increase of 335%.

6.16. Due to the high increases and to provide some level of protection to both suppliers and customers and to enable prices to be changed quicker, rather than every 6 months it was announced in August 2022 that the price cap is to be reviewed quarterly rather than every 6 months. In addition to the price cap and as part of trying to support households with the significant increases in energy costs the government have also introduced a number of schemes designed to support households with the large increase in energy costs, and they include:

- Energy Bill support scheme – this provides households with £400 non repayable discount on their energy bills and is credited to electricity accounts over 6 months Oct – March, if customers are paying by traditional pre-payment meters, then they will receive discount vouchers that need to be redeemed at the post office. This scheme is available to district heating customers, and in instances when it is not available the Government has set up the Energy Bill Support Scheme Alternative Fund.

- The Energy Price guarantee is intended to protect customers from increases by capping the amount that can be charged, it currently stands at £2,500 per annum based on typical usage. The £2,500 cap is to be increased to £3,000 from April 2023 and will last until the end of March 2024. The £3,000 cap includes both gas and electric costs and is the equivalent of £57 per week.

- Winter Fuel payments – pensioners have received an extra one off £300 pensioner cost of living payment, this was paid as an automatic top up to the winter fuel payment.

6.17. There are currently around 2,250 residents on district heating schemes, and they pay for all-inclusive heat either through their rent or through point of sales top up, in addition to the heat charges they will also have electricity bills to pay. As referred to above in the current financial year there has been a shortfall in heating costs of c£2.1m, and in order to ensure no cost subsidy in 2023/24 the costs of heating would need to be increased by c300% for each household. Whilst there is no ideal time to introduce such large increases in costs to tenants, it is also not sustainable to continue subsidising tenants heating costs on going, therefore it is proposed that heating charges are increased by an initial average of £6.04 per week to an average of £13.40 in April 2023. It is proposed that heating charges are then reviewed on a quarterly basis with the aim of balancing the needs of reducing any subsidy to tenants heating bills, but also seeking to reduce the deficit on the HRA. Whilst there continues to be uncertainty, wholesale gas prices have been falling in recent months and the proposed move to quarterly review of prices will allow any price changes to reflect the most up to date position on gas costs.

6.18. Whilst it is acknowledged that the proposed increase is not ideal at any time, not least when other costs are also rising, it is important to recognise that the proposed increases will still leave a deficit on the costs of gas of £1.155m in the HRA in 2023/24 financial year. This will need to be reviewed on a quarterly basis against the costs of gas, and the potential changes to residents' heating charges.

6.19. The proposed charges outlined in Appendix 2 have been calculated using an initial 75% increase with effect from April and this results in an average heating charge of £13.40per week, or £670 per year and this will be reviewed on a quarterly basis with a view to ensuring that heating charges are aligned to the costs of gas.

6.20. In recognition of the increase in both rents and heating charges the support fund available to support tenants most in need has been increased to £1m for 2023/24. Details of how this will be administered are currently being developed, but the scheme will be in place by April to support those most in need.

6.21. As part of the Councils Zero Carbon commitment work is continuing to source additional external funding for works, and there continues to be a programme of capital investment that looks to both improve energy efficiency of homes and reduce carbon. As part of the ongoing investment in energy efficiency measures and to help reduce carbon there is £2m programmed next year to install new boilers or heat pumps, and this will help take over 300 households of the existing district schemes.

Debt Financing and Borrowing Costs

6.22. As part of the introduction of self-financing in 2012, the exercise included a calculation which determined the affordable level of debt for each HRA and a national reallocation of debt was made. As part of the reallocation Manchester received c.£294m leaving a debt balance of c£121m. The 2023/24 opening HRA capital financing requirement is anticipated to remain unchanged at £121.26m, and this is funded through a combination of market loans and internal funding using reserves. Using internal funds means there are no additional interest costs, and the debt does not increase. If the reserves fall below the level of internally funded debt, then new borrowing will be required, and interest charges will increase. The longer-term viability of the HRA is linked to balancing the need for additional borrowing which will incur interest and the priority needs to invest. Future scheme appraisals will need to ensure that the increased costs of borrowing are factored into the project costs where relevant.

6.23. Following the removal of Councils' HRA debt caps, there is no upper limit to the absolute level of debt that can be held, the only restriction being that the HRA business plan must demonstrate that any debt can be serviced without the HRA going into deficit. The HRA debt has remained unchanged since the introduction of self-financing and the business plan assumes this continues into future years, therefore the interest charged to the HRA is only subject to change through interest rate changes.

6.24. The HRA is making provision only for the interest repayments in relation to the outstanding debt. Consideration will need to be given to refinancing the debts as and when the debts become repayable. This will be considered as part of the treasury management strategy.

Capital Investment

6.25. The current approved programme of capital expenditure for the financial years 2023/24- 2025/26 is for approximately £137.4m of spend, of which c.£12.5m will be funded from grants and c. £7.7m from capital receipts. The profile of spend and funding is shown in the table below:

	2022/23	**2023/24**	**2024/25**	**2025/26**	**Total**
	£'m				
Forecast spend	32.4	49.4	44.0	11.6	**137.4**
Funded by:					
Grants	5.5	7.0	0	0	**12.5**
Capital Receipts	0.8	6.9	0	0	**7.7**
RCCO	26.1	35.5	44.0	11.6	**117.2**

6.26. Work is ongoing to review the capital programme to ensure that the programme is both deliverable and affordable whilst aligning with Council priorities. The approved programme does include some schemes that will support the Council in becoming carbon neutral by 2038. The main priorities for 2023/24 include:

- Decent Homes Standards
- Fire Safety
- Damp and Mould
- Decarbonisation

6.27. The costs of reaching zero carbon in all of the housing stock is considerable. Original estimates were that a deep retrofit would cost £25k per unit but this could now be nearer £30k with the recent increases in construction costs. The programme to reach zero carbon needs to be delivered in manageable phases and proposals are being worked up which look at:

- Cease fitting gas boilers in 2023/24
- Retrofitting properties as they become void
- Aligning works with decent homes and asset management works where possible.
- Developing a programme to retrofit a fixed amount of properties per annum to achieve economies of scale and to make sufficient progress on the zero carbon ambitions.

6.28. The Council has bid for £11.6m of Social Housing Decarbonisation Fund grant, with successful bids expected to be announced before the end of the financial year. If successful, a programme of works will be mobilised to combine low carbon investment alongside other capital works.

6.29. Officers are developing the asset management plan and this will inform the future capital programme and investment plan for our housing stock. This will need to address important issues including ensuring decent homes standards are achieved and maintained, and carbon reduction and fuel poverty are addressed. Resident engagement is a key part of developing this programme.

6.30. From 2026/27, a working assumption of a £23m per annum capital programme has been included, which increases annually in line with CPI. Prioritisation of projects will be essential, as investment demand is likely to be significantly higher.

6.31. The HRA capital budget already allows for the costs and implications of the following new build programmes: -

- Silk Street (69 properties) (2023-24)
- Collyhurst (130 properties) (2024-25 and 2025-26)

6.32. The 30-year business plan factors in the income and costs associated with these new properties entering the portfolio once completed.

Operational Housing Costs

6.33. The decision to bring Northwards managed housing back into the Council was approved by the Executive in September 2020, with the business case forecasting annual savings of £2.4m. To date annual savings of c£1.6m have been achieved through a combination of staff savings and savings in accommodation costs following the cessation of the lease at Hexagon Tower.

6.34. Work is ongoing to review the existing delivery models, and this is expected to lead to further savings being identified. However, at this stage there are no further savings identified. The non-achievement of savings largely relates to savings options that have not been taken forward, such as closure of some neighbourhood offices and some identified savings that had already been assumed within the former Northwards budgets to offset pressures.

6.35. Following the integration of Northwards, the council has worked closely with residents, partners and elected members to develop the new vision for the housing service, which incorporates the profound changes through the imminent Social Housing Act, Building Safety Act, Consumer Regulations and the new Tenant Satisfaction Measures, which come into effect from April 2023, as well as the integration with the council.

6.36. The new Place Called Home vision focuses on three key priorities

- Resident led services, putting you at the heart of everything we do
- High Quality housing services and home improvements for secure, warm, sustainable homes
- Welcoming, safe and vibrant neighbourhoods

6.37. The new vision directly informs the ongoing development of the new target operating model for MCC Housing Services (formerly Northwards). The new operating model will focus on delivering to the priorities set out above and will be finalised during 2023/24.

6.38. The 2023/24 costs of operational housing are forecast to be c£14.8m and this is mainly in respect of staffing costs, with some budgets for accommodation costs and supplies and services budgets. The proposed budget includes an increase of £0.780m to allow for forecast pay award costs.

Repairs and Maintenance Contract

6.39. The repairs and maintenance contract was let with effect from March 2021. Following procurement and contract letting the budget was increased by £4.1m to c£11.1m, although this did include some initial one off start up and mobilisation costs. The contract is index linked and for 2022/23 was uplifted for CPI +1% which was 9.9% at that time. Similar indexation will see the contract costs increase to a budget of c£17.5m for 2023/24. Officers are currently in negotiation with the contractor on options to reduce the costs whilst not impacting on service delivery. From 2024/25 a 5% per annum reduction has been built into the budget for the repairs and maintenance service.

6.40. Whilst there is still work to do and performance is not universal, contract performance is improving. Overall, it is an improving picture in terms of service provision although this is not universal. Demand for the repairs services continues to be high, and like many housing providers have experienced a significant increase in damp and mould service requests. The average time to complete a repair is now 10.2 days against a target of 12.5 days and the number of appointments kept is now 95% (target 97%), the compliance aspects of the contract (e.g. fire alarms, gas safety) are all performing to target.

Inflation Assumptions

6.41. The HRA budget includes inflation, most of which in the business plan is linked to the forecast consumer price index (CPI). Based on an assessment of forecasts available, CPI has been estimated to be at around c.8.5% in 2023/24, reducing to c5.25% in 2024/25. The business plan then assumes 2.75% in 2025/26 before reducing back to a 2% CPI rate for the remainder of the plan.

Garage Rents

6.42. Unlike housing rents there is no maximum increase cap on garage rents. It is proposed that 2023/24 garage rents are increased in line with the original rent formula or 11.1%. The impact of the increase is shown in the table below:

	Annual Charge 2022/23	Weekly Charge 2022/23	Proposed Annual Charge 2023/24	Proposed Weekly Charge 2023/24	Proposed Weekly Increase
Site Only	£104.28	£2.01	£115.86	£2.23	£0.22
Prefabricated	£225.08	£4.33	£250.06	£4.81	£0.48
Brick Built	£264.48	£5.09	£293.84	£5.65	£0.56

7. Reserves Forecast

7.1. The overall reserves position is forecast to be c£100m at the start of 2023/24, and around £63m is the general reserve. The table below shows the forecast reserves position over the next three financial years.

Reserve Description	2022/23 (Forecast) £000	2023/24 £000	2024/25 £000	2025/26 £000
General Reserves	63,124	40,316	14,560	13,009
Residual Liabilities Fund	24,000	24,000	24,000	24,000
PFI Reserve	10,000	10,000	10,000	10,000
Total Reserves	**97,124**	**74,316**	**48,560**	**47,009**

Insurance Reserve	2,500	2,500	2,500	2,500

7.2. Based on the latest budget position the forecast reserves position as at the end of March 2023 (excluding the Insurance Reserve) will be c£97.1m. This reduces by c£50m over the next three financial years to around c.£47m by the close of 2025/26 and this is due to the c£103m of HRA resources earmarked to fund the planned capital investment over this period.

7.3. Both the residual liabilities fund and the PFI reserve were set up a number of years ago, and there have been no calls against either reserve, these will be reviewed in 2023/24 to see if any of the funding can now be released.

7.4. Current projections show that the overall reserves go into a negative position at around 2036/37 and are forecast to reach a deficit level of £17m at the end of the 30 years. Work is required to either reduce HRA costs or generate additional income in order to ensure that the HRA is sustainable throughout the life of the business plan.

8. Conclusion

8.1. This report sets out the proposed HRA budget. It seeks to recognise the difficulties faced by tenants in light of the current cost of living crisis, whilst seeking to balance the need to have a balanced HRA business plan.

8.2. The budget proposals will allow for continued service delivery and investment within the existing stock and development of new HRA stock within the confines of the available resources, although there are pressures around meeting the ambition of the climate agenda.

9. Key Polices and Considerations

(a) Equal Opportunities

The rents have been set in line with the Government's guideline rent.

(b) Risk Management

Under the provisions of the Local Government and Housing Act 1989, the Authority must ensure that the Housing Revenue Account does not result in a debit balance. The proposed change in rents and identification of savings within this report, together with regular budget monitoring will assist in managing this risk over the short term. Work will continue to ensure that the HRA remains viable in the longer term.

(c) Legal Considerations

The City Solicitor has reviewed this report and is satisfied that any legal considerations have been incorporated within the body of the report.

10. Appendices

Appendix 1 - Housing Revenue Account Budget 2023/24 – 2025/26
Appendix 2 - Proposed Heating Tariffs

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Appendix 1 - Housing Revenue Account Budget 2023/24 – 2025/26

	2022/23 (Forecast) £000	2023/24 £000	2024/25 £000	2025/26 £000	See Para.
Income					
Housing Rents	(62,836)	(67,556)	(72,181)	(74,753)	5.8
Heating Income	(681)	(1,736)	(2,292)	(2,338)	6.11
PFI Credit	(23,374)	(23,374)	(23,374)	(23,373)	6.9
Other Income	(1,022)	(1,974)	(1,083)	(1,073)	6.9
Funding from General HRA Reserve	(14,940)	(22,808)	(25,756)	(1,551)	7.1

Total Income	**(102,853)**	**(117,448)**	**(124,686)**	**(103,088)**	
Expenditure					
Operational Housing - Management	14,055	14,835	15,272	15,453	6.33
Operational Housing - R&M	16,567	16,784	15,842	14,933	6.39
PFI Contractor Payments	32,591	36,301	36,944	36,525	6.9
Communal Heating	3,196	2,890	2,292	2,338	6.11
Supervision and Management	5,568	5,776	5,877	5,940	
Contribution to Bad Debts	569	679	726	752	6.4

Hardship Fund	150	1,000	0	0	5.6
Depreciation	22,000	25,580	26,650	27,163	
Other Expenditure	1,327	981	1,036	1,070	
RCCO	4,100	9,920	17,350	(4,163)	6.25
Interest Payable and similar charges	2,730	2,702	2,695	3,031	6.22
Total Expenditure	**102,853**	**117,448**	**124,684**	**103,042**	
Total Reserves (exc Insurance):					

Opening Balance	(112,064)	(97,124)	(74,316)	(48,560)	7.1
Funding (from)/to Revenue	14,940	22,808	25,756	1,551	
Closing Balance	**(97,124)**	**(74,316)**	**(48,560)**	**(47,009)**	

Appendix 2 - Proposed Heating Tariffs

	22/23 ACTUAL CHARGE		23/24 ESTIMATED CHARGE	
	Based on estimated 20% increase in gas prices from 21/22		Q1 75% Increase in charge	
	Excl VAT	**%chg**	**Excl VAT**	**%chg**
Victoria Square:				
Type A	£6.63	21.1%	£11.60	75.0%
Type B	£7.13	21.1%	£12.48	75.0%
Type C	£7.67	21.1%	£13.42	75.0%
Type D	£7.96	21.0%	£13.93	75.0%

		Type E	£10.20	21.0%	£17.85	75.0%
		Caretaker	£12.22	21.0%	£21.39	75.0%
Sheltered Housing :						
	Northwards					
		1 person flat	£6.96	36.6%	£12.18	75.0%
		2 person flat	£8.45	36.7%	£14.79	75.0%
		Warden	£8.45	36.7%	£14.79	75.0%

2/4 Blocks:					
	Northwards				
	2 Block Flat	£6.75	19.0%	£11.81	75.0%
	4 Block Flat	£6.75	19.0%	£11.81	75.0%
Other:					
	Sandyhill Court	£7.01	6.9%	£12.27	75.0%
	Broomfield	£6.75	20.0%	£11.81	75.0%

Grove Village PFI scheme:

Flat	1 Bed	£6.80	4.8%	£11.90	75.0%
House	2 Bed	£8.40	4.7%	£14.70	75.0%
House	3 Bed (small)	£10.62	4.8%	£18.59	75.0%
House	3 Bed (large)	£12.25	4.8%	£21.44	75.0%
House	4 Bed	£12.25	4.8%	£21.44	75.0%
Point of Sales pence per unit		5.25	4.8%	9.19	75.0%

<u>Point of Sales pence per unit of heat</u>				
Meco	8.76	14.8%	15.33	75.0%
Northwards Multis:				
Multi storey	8.25	14.9%	14.44	75.0%
Victoria Avenue	3.75	-29.1%	6.56	75.0%
Brunswick				
Multi storey	13.22	35.5%	23.14	75.0%

Manchester City Council
Report for Resolution

Report to: Children and Young People Scrutiny Committee – 8 February 2023
Executive - 15 February 2023

Subject: Schools Budget 2023/24

Report of: Strategic Director for Children's and Education Services

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Summary

Dedicated School Grant (DSG) is a ring-fenced grant of which the majority is used to fund individual schools budgets in maintained schools and academies in the city, early years nursery entitlement and provision for pupils with high needs including those with Education Health & Care Plans (EHCPs) in special schools, special provision and mainstream schools in Manchester and out of city.

Councils receive and manage the DSG within four blocks: schools, central school services, high needs and early years. A large proportion of it is paid directly to schools and other settings to provide the majority of education services. A proportion of the DSG is provided to the Council to deliver education services.

Most of the DSG arrangements for 2023/24 remain unchanged with the grant continuing to be allocated to councils in four blocks based on a national formula, but councils can continue to fund schools on the local formula.

This report provides a summary of the confirmed DSG allocation from the 2023/24 settlement announced in December which was reported to Schools Forum on the 16th January 2023. Schools will receive a new grant from April 2023, this grant is also outlined in the report.

Recommendations

The Committee is recommended to:-

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

The Executive is recommended to approve these budget proposals.

Wards Affected: All

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

proposals.

Equality, Diversity and Inclusion - the impact of the issues addressed in this report in meeting our Public Sector Equality Duty and broader equality commitments
Consideration has been given to how the proposed savings could impact on different protected or disadvantaged groups. Where applicable proposals will be subject to completion of an Equality Impact Assessment (EqIA) and an Anti Poverty Assessment.

Manchester Strategy outcomes	**Summary of how this report aligns to the OMS/Contribution to the Strategy**
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	The effective use of resources underpins the Council's activities in support of its strategic priorities as set out in the Corporate Plan which is underpinned by the Our Manchester Strategy.
A highly skilled city: world class and home-grown talent sustaining the city's economic success	Ensuring children and young people are supported and afforded the opportunity to access and achieve in the City; empowered and supported by the delivery of a strong and cohesive system that works for all children.
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	Improving education and social care services that are connected to the wider partnership build the resilience of children and families needed to achieve their potential and be integrated into their communities
A liveable and low carbon city: a destination of choice to live, visit, work	
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 changes included within this report are officer proposals and, subject to Member comments and consultation, these will be included as part of the 2023/24 budget preparation.

Financial Consequences – Capital
None directly arising from this report.

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Background documents (available for public inspection):

Not applicable

1. INTRODUCTION

1.1 Dedicated Schools Grant (DSG) is a ring-fenced grant. A new additional funding grant is also outlined in the report. DSG is made up of four blocks: schools (SB), central school services (CSS), early years (EYB), and high needs (HNB). Table one sets out the number pupils and of school/providers DSG supports.

Table One: Schools/Provider supported by DSG

Dedicated School Grant (DSG)	Schools/Providers	Pupil Numbers
Nursery Schools	2	88
Private, Voluntary and Independent Sector	460	15,013
Primary Schools & Academies	135	53,877
Secondary Schools & Academies	31	35,293
Special School Schools & Academies	17	2,618
Mainstream Education, Health and Care Plans	165	2,605
Post 16 EHCPs	36	602
Out of City Places	54	643
	Full Time Equivalents	
Council Staff	126.5	

1.2 This report which for ease of reference is structured as follows:

Section 1 Introduction
Section 2 Outline of the 2023/24 DSG allocation
Section 3 Additional Schools Grant 2023/24
Section 4 Schools Forum

2. DEDICATED SCHOOLS GRANT (DSG) 2023/24 ALLOCATION

2.1 The 2023/24 DSG notification was received 16th December 2022 and totals **£671.364m**. Table two provides a breakdown of the grant across the DSG blocks and sets out why the grant changed between 2022/23 and 2023/24. The overall increase in DSG since last year is £37.930m, table two also sets the movement since last year.

Table two: DSG settlement 2023/24 compared to 2022/23

	Schools £m	Central Services School £m	High Needs £m	Early Years £m	£m
2023/24 2022/23	503.271 475.054	3.753 3.868	122.847 114.540	41.494 39.972	671.364 633.434
Difference	**28.217**	**-0.115**	**8.306**	**1.521**	**37.930**
The difference is a result of the change in £m:					
Formula Pupil Numbers Growth Fund	21.344 7.398 -0.525	-0.160 0.044	7.338 0.968	1.521 0.000	30.044 8.411 -0.525
Difference	**28.217**	**-0.115**	**8.306**	**1.521**	**37.930**

- Above excludes the additional funding of £22.250m detailed in section 4: Mainstream schools (£17.241m) and High Needs Block (£5.009m),

Schools Block

2.2 The Schools Block allocation of £503.271m has been calculated bottom up on the basis as if the national funding formula (NFF) was applied at school level. On average the DfE has increased the formula determined by pupil level data by 3.5%.

2.3 This part of the grant will fund 82,492 pupils aged 5-16 years. Primary pupil numbers have marginally increased in 2023/24 (+46 pupils), while secondary numbers continue to grow (+1,006 pupils).

2.4 The Council will allocate funding in line with the locally agreed formula. Based on previous decisions and affordability all Manchester primary and secondary schools should receive between a minimum increase of 0.5% and maximum of 3.2% increase on a per pupil basis.

2.5 Individual schools funding is based on pupil numbers and their characteristics, such as whether pupils are eligible for free school meals plus premises related characteristics. Pupil related and other funding within most of the local formula allocation has been increased by 3.25%, the only significant change is the funding allocated to schools that are subject to Private Finance Initiative (PFI).

2.6 Manchester has two PFI schools, where buildings for the schools have been procured and facilities managed under the scheme. Under the scheme, responsibility for building and managing infrastructures and services has transferred to a private consortium, including banks, financiers, and a construction company. Payments for the building and facilities are uplifted year on year in line with inflation, due to the significant increase in the rate of inflation the costs associated with PFI charges have increased more than expected, the overall impact of this is **£331k** on the schools funding block.

Central School Services Block (CSSB)

2.7 The CSSB allocation is **£3.753m** and supports the Council's role in education. It comprises two elements:

- 'On-going Responsibilities' - funding for this is determined by number of pupils and deprivation. It funds the admissions service, copyright licenses, servicing of Schools Forum and duties local authorities have for both maintained schools and academies
- 'Historic Commitments' (previously known as Combined Services) - funding for this is based on past actual costs.

2.8 The per pupil amount for 'On-going Responsibilities' has reduced by 2.5% which equates to per pupil reduction of £1.08 to £42.02 per pupil. The impact of the reduction in the rate per pupil has been partly mitigated by an increase in Manchester's pupil numbers, resulting in an overall net reduction of £44k, this on-going reduction will need to be managed going forward.

High Needs Block (HNB)

2.9 The HNB allocation is **£122.847m** and provides increased funding for children and young people with special educational needs and disability from early years to age 25 years. The DfE has allocated an additional £0.97bn to the HNB nationally. Manchester's additional HNB grant is **£8.306m**, an increase of 7.25% compared to 2022/23, this is £1m higher than previously expected.

2.10 The Council has also received an additional £5.009m of funding for high needs, this was following the Government's autumn statement, announcing additional £2bn funding for schools. Council plans to allocate the £8.306m and £5.009m, total of an **£13.315m** increase in the following way:

Table three: High Needs Budget Outline

Budget	**£000's**
Special School and Resource Units –	5,090
Mainstream Education, Health and Care plans Including post 16	3.764
Out of City and Other Council	1.838
Recovery Plan and in-year growth	2.623
Total	**13.315**

2.11 The HNB is currently in deficit and has a recovery agreed with Schools' Forum on the 19th November 2022. Following the Schools' Forum meeting a steering group has been established to have oversight of the delivery of this plan, actions to reduce the deficit along with the associated risks. The group comprise officers from education, finance, commissioning, and Schools' Forum representatives.

2.12 If the plan does not address the deficit the gap in the HNB increases year on year over the next three years, and give the significant risk if demand is not managed the deficit will increase significantly.

2.13 Included in the recovery plan is the option to request a 0.5% transfer from the schools block to the HNB, this would contribute c.£2.4m to the HNB recovery position. At this stage given the settlement and recovery made to date, Manchester does not intend to propose a 0.5% transfer in 2023/24.

2.14 However, the work to strengthen special educational needs support and prevention of needs escalating and will need time to embed before the desired impact of reduced requests for an Education, Health and Care plan requests is felt. It would also seem counter intuitive to take funding out of school budgets at a time when this funding is required to support these developments.

Early Years

2.15 The early years funding £41.494m and is provisional, this reflects the 2023/24 early years national funding formula (EYNFF) rates for all councils published in December 2022. Funding will be finalised at later date.

2.16 Key changes are:

- Two-year-old rate is increasing by **6p** (1.06%).
- Three and four-year-old rate is increasing by **22p**.

This includes the rolling in of the teachers' pay and pension grant (TPG) and teachers' pension employer contribution grant (TPEGC) into the EYNFF. Excluding this, the rate increase equates to 0.93%. of the 22p per house, 5 p per hour will be passed onto all providers, 17p will be earmarked for settings that have teachers.

3. ADDITIONAL SCHOOLS FUNDING 2023/24

3.1 Manchester has been allocated £22.250m from the Government's £2bn additional schools funding, on-top of the 2023/24 DSG. This additional funding provides support for schools (reception to year 11) for pay and inflation increases. The funding does not include any allocation for early years or post-16. For 2023/24 this is in the form of a separate grant, the DfE intend to incorporate this funding into core budget allocations for 2024/25, so for schools 5 to 16 years, this will mean the funding being rolled into the schools national funding formula (NFF) from 2024/25.

3.2 The £22.250m allocation to Manchester is made up of:

- **£17.241m** for mainstream schools. This funding, Mainstream Schools Additional Grant (MSAG) is formula based and consist of three elements, within the NFF.
- **£5.009m** for special schools and alternative provisions, will be added to the HNB. Councils are required to pass on a 3.4% funding increase on top of the average place and top-up rates, following DfE formula.

4. SCHOOLS FORUM

4.1 The proposed Schools Budget has been agreed in consultation with Schools Forum on 16th January 2023 and included the following changes:

- All Manchester primary and secondary schools should receive a per pupil increase between 0.5% minimum and up to 3.2% on pupil-led funding.
- Manchester does not intend to propose a 0.5% transfer from the school block to high needs 2023/24.
- Early year rates two-year-old base rate increase by 6p. Three and four-year old 22p increase, to be passed onto providers by increase base rate by 5p per hour and adding a new quality supplement (17p per hour) to reflect the rolling in TPG and TPEGC funding into the funding formula.
- Central services school block (CSSB) funding has reduced on a per pupil basis by 2.5% despite there being additional burden due to the new admission code, with no reduction in other functions councils are required to provide.
- Additional Schools Funding 2023/24 will be allocated as a separate grant for mainstream schools. Special schools will receive a 3.4% funding increase on top of the average place and top-up rates, following DfE formula.

Manchester City Council
Report for Information

Report to: Executive – 15 February 2023
Resources and Governance Scrutiny Committee – 27 February 2023
Council – 3 March 2023

Subject: Capital Strategy and Budget 2022/23 to 2025/26

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

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Summary

The purpose of the report is to present the 2022/23 capital programme and forward commitments, alongside the Capital Strategy for the City Council.

Recommendations

The Executive is requested to:

1. Approve and recommend the report to Council, including the projects for Council 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 2022/23.

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 2022/23 to 2025/26 prior to their submission to Council for approval, subject to no changes being made to the overall estimated total cost of each individual project.

The Resources and Governance Scrutiny Committee is requested to note and comment on the report.

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 (£443.8m in 2022/23, £426.8m in 2023/24, £199.7m in 2024/25 and £34.1m in 2025/26) which will require prudential borrowing of £551.8m 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 2022/23.

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 2023/24 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 as presented will require £551.8m (all non-HRA) of prudential borrowing over the period 2022/23 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 2022/23 is £443.8m, including new projects included in this report, of which £255.8m is forecast to be funded from borrowing. Across the forecast period 2023/24 to 2025/26, the forecast is £660.6m, of which £296.0m is forecast to be funded from borrowing.

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Background documents (available for public inspection):

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

Report to the Executive 16th February 2022 – Capital Strategy and Budget 2022/23 to 2024/25
Report to Council 4 March 2022 (Capital Strategy and Budget 2022/23 to 2024/25)
Report to the Executive 16th March 2022 - Capital Programme Update
Report to the Executive 1st June 2022 – Capital Programme Update
Report to the Executive 29th June 2022 – Capital Outturn Report
Report to the Executive 22nd July 2022 – Capital Programme Update
Report to the Executive 14th September 2022 - Capital Programme Update
Report to the Executive 19th October 2022 – Capital Programme Update
Report to the Executive 16th November 2022 – Capital Programme Update
Report to the Executive 16th November 2022 – Q2 Capital Monitoring report
Report to the Executive 14th December 2022 – Capital Programme Update
Report to the Executive 18th January 2023 – 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 2022-26. This report details the latest position on the Strategy and the governance process.

1.2. The capital strategy provides the medium to long term context in which capital investment decisions are made, and the governance arrangements. The approach to non-treasury investments is included in the broader Treasury Management Strategy 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.

1.4. The Capital Strategy provides the framework for the capital budget priorities and investment decisions. The Capital Strategy and Budget should be read in conjunction with the Medium-Term Financial Plan which sets out the priorities for the Revenue Budget.

2. Strategic Context

Economic Context

2.1. The Capital Strategy has been prepared during a time of economic uncertainty. The UK economy continues to be adversely affected by the ongoing impact of the COVID-19 pandemic, the UK's withdrawal from the European Union and the single market, the fallout from the brief tenure of the Truss government and the war in Ukraine. At the time of writing, the ONS's most recent estimate of consumer price index inflation was 9.3%, down slightly compared to earlier in the year but still markedly increased from circa 6% earlier in 2022. The Bank of England base rate increased to 4.0% in February, the 10th increase over the previous twelve months. The UK narrowly avoided recession at the end of 2022, with growth estimated at 0.2% for the month of November 2022, though the Bank of England predicts 2 years of negative growth over 2023 and 2024. At the same time there are some more positive trends forecast over the coming year. The Bank of England expects CPI inflation to fall sharply later in 2023 and return to trend by 2024.

2.2. The pressures on the capital programme are somewhat different to the last year when the sector was still recovering from the impact of COVID lockdowns. This year, inflationary pressure is significantly affecting project costs, and while labour cost increases are still a concern, the most pressing issue is around materials cost increases which are still running at over 20%. Similar to CPI forecasts, construction cost inflation is expected to fall sharply and return to trend over 2023 and into early 2024. Labour cost inflation may persist into 2024 but at a reduced rate of around 5%. The result is that tender prices are tracking inflation, increasing costs by over 10%, though conditions are now easing and again should return to trend, albeit at a higher base.

2.3. More positively, supply and materials issues have largely resolved and no longer appear significant across the industry. While there are some limited exceptions associated with the production of materials requiring high energy cost inputs, as well as increasing costs of transportation and storage, materials supply is generally less of an issue than over the previous year which will contribute to easing inflation. Market conditions forecasts produced by the BCIS (Building Cost Information Service) show that the impact of the latest crises have been less severe than following the 2008 financial crisis, with construction output and pipeline in Manchester remaining relatively strong.

2.4. Manchester is taking advantage of funding opportunities to drive development. It is disappointing that Manchester was not successful in the bid for £20m Levelling Up Funding towards the redevelopment of Wythenshawe Civic Centre. The Council is continuing to seek to maximise grants including the impact of funds such as the Public Sector Decarbonisation scheme.

2.5. Manchester's rising population, boosted by the occupation of new high-quality accommodation around the city centre, continued over the year and Manchester remains one of the fastest growing cities in England with the 2021 census stating a total population of 552,000, although this is likely to be an underestimate with the council's own population model suggestion a population of nearer 587,500. The diversity of our population continues to be driven by a strong and diverse labour market, a growth in city centre living, and Manchester's strong international reputation as a good place to live, work, study, and visit.

2.6. At the same time the economic context described above continues to negatively impact many residents and businesses in the city, with the cost-of-living crisis eroding the resilience of some households, driving up demands on services. Development and capital investment should form part of our response to these conditions, by creating new learning, training and employment opportunities, new services for local people and enhancing public realm and the built environment.

The Greater Manchester Context

2.7. 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.

2.8. A fully refreshed Greater Manchester Strategy was 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

2.9. 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 refreshed 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.

2.10. 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

2.11. 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.

2.12. Manchester's overall strategic aims remain the same, and 2023 will see some significant progress against these objectives:

- Creating a more inclusive economy – capturing the benefits of our growth and connecting more of our residents to the city's success. In 2023 we will develop a new economic strategy for the city that sets out our approach on this agenda.
- Tackling poverty and inequality – the Making Manchester Fairer Action Plan and Manchester's new Anti-Poverty Strategy will start to be delivered over 2023, linking closely to the economy strategy described above.
- Housing – Manchester's new Housing Strategy sets out how we will increase the supply of affordable housing and diversify tenure.
- Climate change and zero carbon – the refreshed climate change action plan sets out how we will achieve our ambition of being a zero-carbon city by 2038.

3. Priority areas for capital programme

3.1. The Council's capital investment priorities reflect the Our Manchester Strategy, and are:

3.2. ***Investment into neighbourhoods and communities***

- to support new and expanded high quality primary and secondary school facilities for a growing population. The provision of schools, expansion for additional places and maintenance are funded by government grant.
- sustaining core community assets such as parks, leisure facilities, community facilities and libraries for Manchester residents. There are a number of existing funding programmes for investment such as the Parks Development Plan.
- to support businesses and residents to create thriving district centres with appropriate retail, amenities and public service offer;
- to enable invest to save investment within Homelessness and social care provision and market intervention where required.

3.3. ***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, 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

3.4. ***Delivery of the Zero Carbon Action Plan*** and achieving net zero carbon 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 and incorporated into all the Council's investment priorities and maximise all available funding sources.

3.5. ***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.

3.6. ***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. The highways and road safety programmes are largely funded by government grant with additional investment from borrowing to deliver a more comprehensive maintenance programme.

3.7. ***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. Accessing grant funding has been key to the delivery of the active travel priorities.

3.8. The above sets out ambitious priorities. As referenced above a significant proportion of the funding available to deliver the Our Manchester ambitions is from external funding and grants and through maximising the use of capital receipts and leveraging value of land assets, as shown in the graph in paragraph 10.11. The internal resources available must be used sustainably and Council must set a capital budget which is affordable within its revenue budget and some difficult prioritisation decisions will be required.

4. Financing the Capital Strategy

4.1. 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 and/or where 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 £10,000 which fulfils these criteria.

4.2. Potential capitalisation flexibilities including the use of capital receipts to support revenue expenditure for service transformation have not been used, but this position will continue to be reviewed in the light of the significant changes the Council is expected to deliver.

4.3. The existing programme represents significant investment in the city and contains projects at all stages of development and build. The volatility in inflation and financial markets has led to increased construction and financing costs and whilst the current approved programme remains affordable, these pressures have restricted future borrowing capacity, available for new investment.

4.4. The following principles will be followed to ensure that the limited capital resources available are prioritised to achieve best value for money:

- 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. The Prudential Code and Public Works Loan Board (PWLB) criteria will be followed.
- Assets will be reviewed to identify assets to realise capital receipts to support future investment priorities.
- If projects support corporate priorities, including both low carbon and social value, then they will be supported if:
  - The project is fully funded by external grants and contributions;
  - The project generates additional capital receipts to the Council, so the impact on resources is minimal; or
  - The project will generate a robust net income stream or revenue savings that is sufficient to meet the associated capital financing costs and therefore be funded on an invest to save basis.

- Schemes will also have a stronger chance of progressing if they bring additional grants and contributions, can support the realisation of additional capital receipts for investment and they are funded through invest to save proposals.
- Additional borrowing will only be considered if there are no other funding available and the project is of critical importance. The impact on the Council's revenue budget will form part of the decision making. Work will continue to identify how other income sources such as the use of external grants can be maximised, including how fragmented government funding streams can bought together to complement investment proposals.

4.5. The Capital Strategy has been developed to ensure that capital expenditure and investment decisions are taken in line with Council priorities and to take account of stewardship, value for money, prudence, risk, sustainability, proportionality and affordability. It will be ensured the decisions are within the economic powers of the Council and are underpinned by strong governance arrangements that underpin decision making.

4.6. The Council's Capital Financing Requirement required to deliver the capital programme is forecast to be £2.2bn by 2025/26. This ranks as one of the highest levels of borrowing amongst local authorities in absolute terms and as c. £4k per head. Steps have been taken to ensure that this is prudent and affordable, including the establishment of the capital financing reserve to ensure that the increased borrowing for the Our Town Hall project does not become an additional burden on the revenue budget.

5. Development of the Capital Programme

5.1. The Capital Programme for 2023/24 will be developed within the priority areas outlined above. The programme will predominately include the continuation of existing schemes and commitments but will also include the following investment.

5.2. The inclusion of government grant and external funded maintenance programmes and schools for Highways and Schools.

5.3. The Council will continue to bid for external funding to support the delivery of key priorities including supporting climate change, growth and regeneration and housing ambitions. The first phase of This City is underway, and the delivery of an affordable housing offer remains a key priority.

5.4. Alongside the current funding in the programme for libraries, parks, culture and leisure there will be a continued focus on service delivery and community assets. This will be supported by £5m capital per annum borrowing for service and community assets and the establishment of £700k funding for urgent small capital/revenue improvements - such as additional bins and broken swings. The criteria is being finalised for the small fund so prompt and equitable access can be achieved.

5.5. A rolling Highways and Corporate Estates programme with a further one-year investment budget in addition to government grant funding. Schemes for inclusion in the capital programme are set out below to support the annual business as usual for highways investment and road safety and delivery of the Council's asset management plan.

5.6. Provision to ensure there is flexibility for key strategic acquisitions that unlock developments.

5.7. Proposed investment in neighbourhood infrastructure, and recognition of new grant funding available to the Council to house refugees.

5.8. A summary of the schemes, funding and spend profile can be found at appendix 2 and are summarised below. The total increase to the programme would be £58.2m. These schemes are included in the proposed programme in section 6 and are affordable within existing resources.

For Council approval:

- Growth – Asset Management Plan. To fund a further year of 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 £15.0m is requested funded from capital receipts.

- Highways – Investment Plan. To fund a further year of the Highways investment plan, to support the Council's road (£8m), footway (£2.8m) and drainage network (£2m). External funding will be used to continue works on the patching programme, repairing actionable defects. A budget increase of £17.5m is requested, funded from £4.7m of government grant and borrowing of £12.8m. Once the final government grant is known the budget will be adjusted accordingly.

- Growth – Strategic Acquisitions. To set aside funding for potential strategic acquisitions that could support existing or future development and regeneration schemes. A budget increase of £3.0m is requested, funded from Capital Fund.

- Housing - This City. The first phase of This City will deliver the Council's commitment to build LHA rent homes within the City Centre. Increasing the supply of affordable housing is a key priority for the Council and this scheme will ease the pressures on temporary and dispersed accommodation budget. The Council is delivering the first phase through PWLB and capital receipts funding on an invest to save basis with 30% of the units being at LHA rent and is due to be completed in 2025, with the contract been let to the developer to build out the scheme.

The current budget approval is for £33.0m, for fees, design, construction and contingencies. The tender prices were significantly over the budget allocation with the housing market heavily impacted by inflation. After a significant programme of value engineering, whilst still protecting the integrity of the scheme including the LHA rented units and low carbon standards, the construction cost has been reduced to £45.0m. This is £12m above the current budget approvals. The tender price can only be held until mid-March and any further delays are likely to see costs increasing further. Work has been carried out to identify the most cost-effective funding package and it is proposed the scheme will be funded by £22m of capital receipts and £1m of Homes England grant funding, with a decrease in the previously approved borrowing of £11m. A budget increase of £12m funded by capital receipts is therefore requested.

The business plan and financial model has been reassessed in the light of the revised costs and funding package. Whilst a positive internal rate of return is still delivered, and the scheme is still financially viable it is recommended the business plan and proposed approach for future phases is bought back to Executive for approval.

- <u>Neighbourhoods – Infrastructure Renewal Fund.</u> Investment in neighbourhood infrastructure, specifically pathways, street furniture such as seating, fencing and signage, and children's play areas. The funding will be used across all Council wards. A budget increase of £5.0m is requested, funded from borrowing.

- <u>Housing – Local Authority Housing Fund.</u> The Government has provided grant funding of £3.267m, to be match funded by £3.408m from Council resources, to purchase homes to support the settling of refugees from Afghanistan and Ukraine to the UK. A budget increase of £6.675m is requested, funded from £3.267m of capital grant and £3.408m of borrowing.

6. The Capital Programme

6.1 The existing capital programme covers both the purchase of new long-term assets and improvements to existing ones, such as buildings, roads, and council housing. Each year we need to spend more money to ensure our assets are still suitable for use in the provision of services and to invest in new assets to meet our changing needs and requirements. The Council's estate is vast with multiple assets.

6.2 Each year the capital programme includes a number of schemes that relate to the routine upkeep of the Council's asset infrastructure. The assets maintained are diverse and are crucial to delivering services to residents across the city:

Public Sector Housing
- 12,528 properties (exc. PFI)
- 213 Homelessness bed spaces and 60 units

Schools
109 Maintained Local Authority Schools
75 Academies
53,235 Primary places
33,339 Secondary Places

Estate Asset Management
356 MCC operational buildings
(inc 17 Leisure Centres, 13 Libraries and 20 Hostels)
1,688 third party occupations including over 150 industrial units

Highways Services
- 1,368 kms of Highways
- 260 kms of bike lanes
- 350 bridges and structures
- 2,668 kms of Footways
- 118,800 drainage gullies

6.3 To meet statutory requirements and deliver Council priorities new long-term assets require ongoing investment. During 2022/23 the Council has delivered several new schemes including:

- Gorton Health Hub, a new Health and Care Hub in the heart of Gorton, including a GP practice, rooms for Manchester Adult Education services (MAES), Gorton Library, mental health services and a Job Centre Plus
- Co-op Academy Belle Vue Secondary school delivering 1200 new school places
- Wythenshawe Cycling Hub, including learn to ride area, 3.1km of family trails and 1.5km of skills trails
- Mayfield Park
- Blakely Cremator replacements

6.4 The capital programme 2022/23 to 2025/26 shown below includes the existing programme and approved schemes only. The programme is based on the forecast as at the end of December 2022, which is reported elsewhere on the agenda, and the additional proposed schemes noted above.

Forecast Budgets	2022/23	2023/24	2024/25	2025/26	Total	*Total 23/24-25/26*
	£m	**£m**	**£m**	**£m**	**£m**	***£m***
Manchester City Council Programme						
Highways	37.5	44.5	6.0	8.2	**96.2**	***58.7***
Neighbourhoods	73.3	34.3	5.8	2.1	**115.5**	***42.2***
The Factory and St John's Public Realm	60.9	18.5			**79.4**	***18.5***
Growth	84.9	118.5	35.9	3.7	**243.0**	***158.1***
Town Hall Refurbishment	68.7	86.4	46.6		**201.7**	***133.0***
Housing – General Fund	17.4	38.8	33.1	8.5	**97.8**	***80.4***
Housing – HRA	32.4	49.4	44.0	11.6	**137.4**	***105.0***
Children's Services (Schools)	43.6	23.3	3.6		**70.5**	***26.9***
ICT	4.3	2.6			**6.9**	***2.6***
Corporate Services	15.0	1.5	0.5		**17.0**	***2.0***
Total (exc. Contingent budgets)	**438.0**	**417.9**	**175.5**	**34.1**	**1,065.6**	***627.6***
Contingent Budgets	5.8	8.9	24.2		**38.9**	***33.0***
Total Programme	**443.8**	**426.8**	**199.7**	**34.1**	**1,104.4**	***660.6***

6.5 The above programme is large and complex, with around 300 schemes to be delivered across the next three years. Major schemes include:

- ***Highways Services –*** ongoing maintenance programme for carriageways, footways, drainage and structures, Active Travel Schemes and Road Safety schemes
- ***Neighbourhoods -*** Abraham Moss Leisure Centre, Hough End Football Hub development, Manchester Aquatics Centre Refurbishment, National Cycling Centre Refurbishment, Galleries Collection Housing & Remediation Works, and the Parks Development Programme.
- ***The Factory and St John's Public Realm***
- ***Growth and development –*** Asset Management Programme maintaining the Council's assets, Carbon Reduction Programme, Campfield Redevelopment and Home Arches utilising Levelling up Fund, and House of Sport.
- ***Town Hall and Albert Square Refurbishment programme***
- ***Housing –*** Major adaptations for people with disabilities through the Disabled Facilities Grant, This City Housing Delivery Vehicle, investment in the Council's public sector housing estate and regeneration works in Collyhurst.

- ***Children's Services –*** Basic Need programme providing additional school places to meet increasing pupil numbers, including the City Centre Primary School and Co-op Academy in Belle Vue Secondary school, Varley Street Special Educational Needs and Disabilities (SEND) school and the School Maintenance Programme.

- ***Information and Communication Technology (ICT) -*** Network Refresh Programme updating the Council's wider area network, local area network and wi-fi.

- ***Adults, Children's and Corporate Services -*** Gorton District Centre providing integrated health and community services

6.6 The phasing of schemes will be impacted by market challenges and, 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 2023/24 is highly ambitious.

6.7 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.

7. Governance

7.1 The existing capital approval process has been in place for five years and has been reviewed to ensure it remains fit for purpose and reflects best practice. The changes will deliver a "top-down" as well as "bottom-up" approach to maximise the benefit that can be gained from the more limited capital resources. The process will build in a stronger approach to planning for place and have a greater focus on neighbourhoods and communities.

7.2 Key changes include:

- Focus on Prioritisation
- Creation of Forward Plan
- Capital Project Initiation Form (due diligence template)
- Improved Place Focus
- Improvements to Project Governance

Further details of the proposed changes can be found in Appendix 1

7.3 The capital programme will continue to be managed and updated on a rolling basis. The capital budget process is being refined. The priorities will be set each year as part of the budget cycle and the frequency of capital budget requests to Executive and Council will be reduced from monthly to quarterly.

8. The Strategic Asset Management Plan

8.1 The Council's Strategic Asset Management Plan (SAMP) provides a structured approach to the prioritisation of existing assets, potential acquisition, and identifying assets for disposal, ensuring a co-ordinated process for decision making. Capital receipts realised can be used to support the wider capital programme.

8.2 The Council's assets include those held for development, and the operational estate and community assets. The Council's operational estate comprises 369 buildings, including:

- The corporate estate comprises of 40 buildings, which includes 3 buildings of multiple occupancy (including Gorton Hub), 15 offices and 16 depots, plus a coroner's court and event space.
- There are many Neighbourhood Facilities, including 110 buildings in parks, 14 libraries, 17 leisure centres and 3 museums/galleries.
- The Council leases out 19 buildings to the Voluntary Community Sector
- The estate also includes 6 prestige buildings which comprise Manchester Aquatic Centre, The Velodrome, National Football Museum, Bridgewater Hall, HOME and Factory International.

8.3 Condition surveys are being commissioned for the community estate, including those where the properties are occupied by community and other groups rather than the council. This will provide a more comprehensive approach to neighbourhood assets. Investment priorities in the operational estate will be informed by condition surveys, and options will be reviewed to align any works and funding with zero carbon initiatives. The estate also includes larger assets such as Bridgewater Hall, where the Council has repairing responsibilities as landlord and the associated investment required will need to form part of the Asset Management Plan.

9. Zero Carbon Capital Investment

9.1 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.

9.2 An approach to reducing carbon emissions has been embedded into all capital planning and investment. Changes in how buildings are operated alongside behavioural changes such as recycling are important but must be supported by capital investment aimed at reducing carbon.

9.3 The Council has an important leadership role working alongside the Manchester Climate Change Partnership and Greater Manchester Combined Authority (GMCA). This includes the development of the Local Plan and Manchester Low Carbon build standard for new developments planned for 2023, the delivery of the Green and Blue infrastructure plan and other related pieces of work. Our direct investment will include work such as rolling out the learning from West Gorton Park into new developments including Victoria North.

9.4 In 2021, 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.

9.5 A significant challenge remains the retrofit of the city's housing stock. The Council has produced some early proposals for retrofitting the city's housing stock, and work continues apace on this agenda

9.6 The majority of the Council's carbon emissions are from its existing corporate estate and own and partner managed housing stock. Significant investment will be required to bring these buildings up to carbon efficient standards which represents a major opportunity to 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.

9.7 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. To date, the Council invested approximately **£227m** to deliver the 5-year Climate Change Action Plan. The breakdown of this is as follows:

- **£109.2m** via the Council (including investment in LED streetlighting, Civic Quarter Heat Network, Estates Carbon Reduction, purchase of Electric Refuse Collection Vehicles, Tree Planting, social housing new low carbon homes & retrofit, education setting summit and new climate change posts). Including additional revenue secured as part of 2022/23 budget setting to provide additional staffing capacity (12 new posts) to support delivery of the CCAP – more details on what these posts are delivering is provided in the table below
- **£70.1m** from UK Government (including funding for Mayfield Park, Urban Tree Challenge Fund, Public Sector Decarbonisation Scheme, Active Travel, Social Housing Development Fund, HNIP grant contribution to Civic Quarter Heat Network)
- **£35.4m** 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)
- **£3.6m** from the Manchester Climate Change Agency (including In Our Nature funding from the National Lottery).

9.8 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 vehicle 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.

9.9. 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.

9.10 The Council is bidding for funding to explore place-based carbon intervention, which could leverage in external financing. Such partnerships will be critical in achieving the zero-carbon goal across the city, as the Council will not be able to fund all the investment required.

10. Capital Financing

10.1 There are a number of funding streams available to fund capital expenditure. These include external grants and contributions, revenue funding, capital receipts and prudential borrowing. Capital receipts are ring-fenced, under legislation, to fund future capital expenditure (or repay long term borrowing) and cannot be used to fund the revenue budget.

10.2 The Housing Revenue Account (HRA) is a restricted fund and can only be used to fund capital expenditure on HRA assets.

10.3 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;
- Right to Buy receipts will be retained within the HRA unless there is a specific identified housing project outside of the HRA where they can be better applied
- General Fund capital receipts will be used in the first instance to support the Asset Management Programme although some receipts may be ringfenced for reinvestment if linked to specific development or project
- 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

10.4 The use of prudential borrowing allows the Council to spread the cost of funding the asset over its useful economic life. Using prudential borrowing increases the Council's capital financing requirement (CFR) and will create revenue costs through interest costs and minimum revenue provision (MRP). 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.

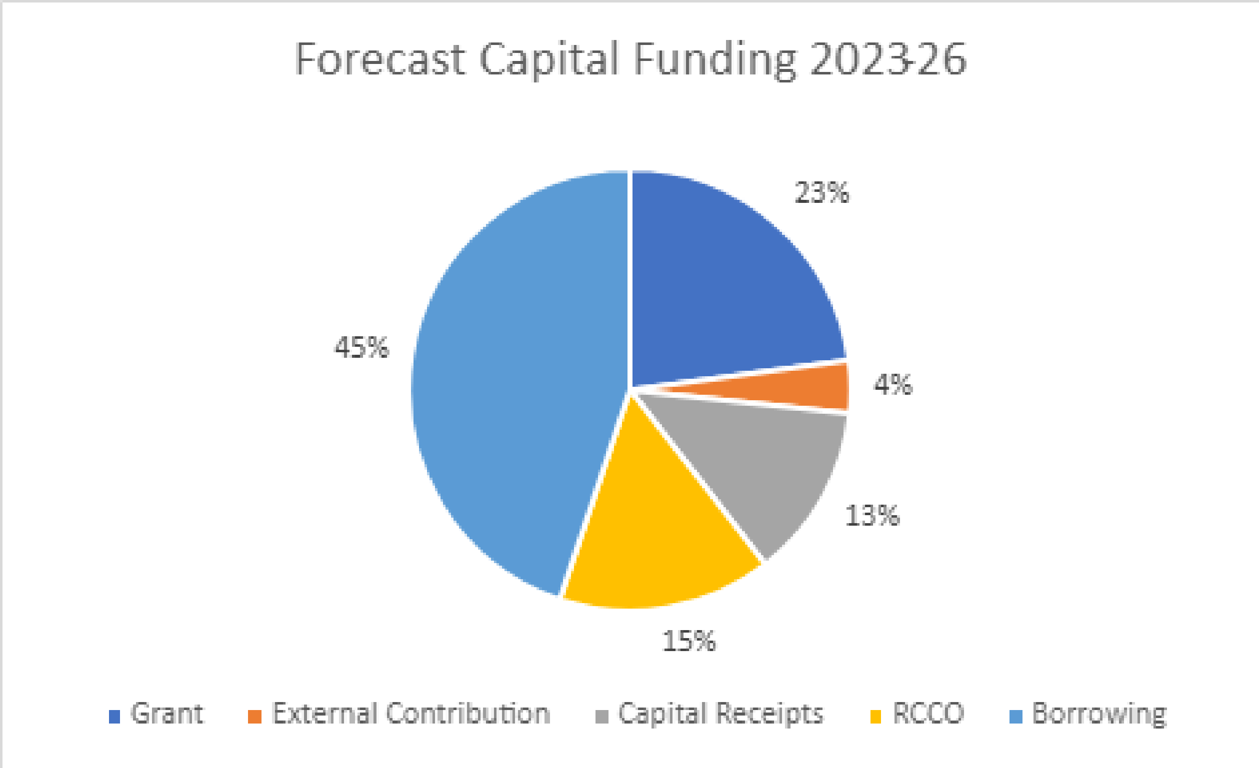
10.5 The estimated financing costs for the capital programme and existing debt have been calculated as part of the budget process. The proposed programme and the existing debt liabilities are affordable within the existing revenue budget. There is a finite level of borrowing that the Council can undertake 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. To achieve this the funding principles and governance arrangements set out in this report are applied and all schemes are reviewed so that the revenue consequences and capital financing costs are understood and budgeted for.

10.6 Borrowing decisions are taken separately for the General Fund and HRA. For the HRA it is depreciation rather than MRP which is incurred.

10.7 The proposed funding for the programme across the forecast period is shown below:

	2022/23 forecast	**2023/24 forecast**	**2024/25 forecast**	**2025/26 forecast**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**
Grant	94.4	110.6	36.7	3.6	**245.3**
External Contribution	26.6	17.4	0.8	7.0	**51.8**
Capital Receipts	31.0	43.2	32.7	8.6	**115.5**
Revenue Contribution to Capital Outlay	36.0	46.9	45.5	11.6	**140.0**
Borrowing	255.8	208.7	84.0	3.3	**551.8**
Total	**443.8**	**426.8**	**199.7**	**34.1**	**1,104.4**

10.8 The chart below shows the funding forecast for 2023-26, and highlights the required level of borrowing, as well as the reliance on external grants and contributions to fund capital activity.



10.9 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.

10.10 The current Housing HRA programme does not require prudential borrowing, but it is likely that new schemes will, and this will be reported as part of the decision-making process. 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.

10.11 A number of the schemes in the approved programme are funded by borrowing on an invest so save basis and will generate revenue savings which also fund the financing costs. Further invest 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.

10.12 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 2022/23 programme.

11. Prudential Indicators

11.1 The prudential indicators for the Council, including the treasury management indicators, are shown as part of the Treasury Management Strategy Statement elsewhere on the agenda. These will be monitored throughout the year and will be reported to members as part of the regular capital monitoring.

12. Conclusions

12.1 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.

12.2 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.

12.3 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.

13. Contributing to a Zero-Carbon City

13.1 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.

13.2 For some projects, the aim of the investment will be to reduce the City's carbon impact, as noted above.

14. Contributing to the Our Manchester Strategy

(a) A thriving and sustainable city

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

(b) A highly skilled city

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

(c) A progressive and equitable city

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

(d) A liveable and low carbon city

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

(e) A connected city

Through investment in areas such as ICT and the City's infrastructure of road networks and other travel routes.

15. Key Policies and Considerations

(a) Equal Opportunities

The proposals have been drawn up in awareness of Council policy on equality.

(b) Risk Management

The capital programme is based on forecast costs and funding, and as such there are risks to achieving the programme from external factors such as shortage of labour or materials, alongside market risks such as price fluctuations and interest rate 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

None in this report.

15. Appendices

Appendix 1 - Capital Approval Process
Appendix 2 - Proposed Amendments to the Capital Budget

Appendix 1 – the capital approval process

Proposed Capital Approval Process

1.1 As outlined in the Capital Strategy, the capital approval process has been reviewed, with changes proposed to ensure it remains fit for purpose. This appendix details the process, and highlights the changes proposed. The revised process is shown at figure 1 below, with the changes proposed detailed below.

The Approval Process

1.2 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. 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.

1.3 The business case must be agreed by the relevant directorate board and supported by the relevant Executive member prior to submission to the Capital Peer Review Group and the Capital Investment Group.

Forward Plan and scheme initiation

1.4 *Forward Plan* - A key objective of the changes is to provide a strong strategic top down as well as bottom-up approach to the development of the future programme. This will ensure that all scheme proposals will be considered together, as part of a newly developed Investment Forward Plan (pipeline), so that only those that are key priorities are taken forward to full business case submissions. The forward plan will be reviewed half-yearly for new projects. This will ensure that the maximum benefit is gained from council resources. A member and senior officer led Capital Investment Group will be established to regularly review the project pipeline, alongside the capital financing forecast.

1.5 *Capital Project Initiation Form (due diligence template)* - To support more robust decision making at the initial stages a Capital Project Initiation Form will be completed for a scheme detailing the associated assumptions around benefits, costs and links to strategic priorities, replacing the current Checkpoint 1. This will support greater scrutiny of projects at the inception stage and allow a more holistic approach to developing the full business case by allowing other services to comment at that stage.

1.6 *Place Focus* - as part of the forward plan development there will be an increased place focus. This will increase the neighbourhood focus, recognising the impact of capital investment on place. Neighbourhood management teams will be invited to scrutinise projects at the inception stage, to ensure they align with neighbourhood plans.

Project Governance

1.7 *Creation of Capital Investment Group* - The review of the existing process identified that developing member involvement and strengthening the prioritisation process for capital investment was critical to taking the programme forward, and that whilst the existing Capital Strategy Board provided a view to SMT members of the investment proposals, the structure of reviewing schemes did not support a wide-ranging view of the programme or potential future investments. A member and senior officer led Capital Investment Group will be established to regularly review the project pipeline, alongside the capital financing forecast.

1.8 *Capital Peer Review Group* - Any capital investment business case proposal will be peer reviewed and within the Council there are commercial and public sector professionals who carry out this work. The approval review process will create a multidisciplinary Capital Peer Review Group to meet quarterly, to provide more robust challenge to business case investment proposals (Checkpoint 2), and to ensure that the benefits ascribed to the projects are realistic and achievable. Where required external advice will be 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.

1.9 *Key decisions* - Until November 2022, key decisions for capital expenditure were taken at the point that expenditure is about to be incurred. This limited effective scrutiny, which should be at the point the project is approved and added to the capital budget. Therefore, the Council's constitution was altered to make the key decision at the point the budget increase is approved. This would enable scrutiny at an earlier stage of a project and support better decision making.

Proposed Capital Approval Process and Governance –

	Pipeline – Forward Plan	CP1 – Capital Project Initiation Form (due diligence template)	CP2 – Detailed Business Case	CP3 – Finance Approval	CP4 – Final Expenditure Approval	CP5
Approvals	Portfolio Boards, asset management boards, Neighbourhood focus aligned	Capital Investment Group	Peer Review Group	Finance Led – If required, Executive and Council	Capital Investment Group	Report to Capital Investment Group
Activity	Forward Plan Development of pipeline of schemes Alignment to Capital Priorities	CP1 Initiation Form Completion of short due diligence form detailing: - Strategic fit - Methodology / Approach - Financial implications - risk/deliverability	CP2 Detailed BC Approval Full detailed business case templet completion: - Deliverables/ Delivery - Costs/Benefits - Outcomes - Timelines - Risks	CP3 Funding Review Detailed Finance checks to confirm funding streams Formal Decision to allocate budget to a scheme Key Decision process to complete prior budget approval Will enter capital budget at this point	CP4 Approval to Spend Final approval for capital expenditure Subject to approval at CP2 and CP3 then spend can commence Calendar of approvals	CP5 Project Review Upon completion undertake project review to confirm - outcome(s), - identify best practice, and - lessons learnt
Frequency	Monthly	6 Monthly pipeline update for emerging priorities	Quarterly	Quarterly	Monthly Scheduled meeting	Post project completion

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Appendix 2 – amendments to the capital budget introduced as part of this report

Requests for Adjustments to the Capital Budget Provision							
15th February 2023 EXECUTIVE							
Dept	**Scheme**	**Funding**	**2022/23**	**2023/24**	**2024/25**	**Future**	**Total**
			£'000	**£'000**	**£'000**	**£'000**	**£'000**
Council Approval Requests							
Growth and Development	Asset Management Programme	Capital Receipts		15,010			15,010
Growth and Development	Strategic Acquisitions	Capital Fund		3,000			3,000
Neighbourhoods	Infrastructure Renewal Fund	Borrowing		5,000			5,000
Highways Services	Investment Programme	External Contribution		4,700			4,700
Highways Services	Investment Programme	Borrowing		12,800			12,800
Private Sector Housing	This City	Capital Receipts			22,000		22,000
Private Sector Housing	This City	Borrowing			(11,000)		(11,000)
Private Sector Housing	This City	Government Grant		1,000			1,000
Growth and Development	Back of Ancoats Mobility Hub and Public Realm	Government Grant		(1,000)			(1,000)
Private Sector Housing	Local Authority Housing Fund	Government Grant		3,267			3,267
Private Sector Housing	Local Authority Housing Fund	Borrowing		3,407			3,407
Total Council Approval Requests			**0**	**47,184**	**11,000**	**0**	**58,184**
Total Budget Adjustment Approvals			**0**	**47,184**	**11,000**	**0**	**58,184**

Please note that the additional budgets for 2022/23 are not included in the Capital Monitoring report for quarter 3, as they are new approvals.

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Manchester City Council
Report for Resolution

Report to:	Executive – 15 February 2023 Resources and Governance Scrutiny Committee – 27 February 2023 Council – 3 March 2-23
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 2023/24 and Prudential Indicators for 2023/24 to 2025/26.

Recommendations

The Executive is requested to:

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

The Resource and Governance Scrutiny Committee is requested to 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 1;
    - MRP Strategy outlined in Appendix 2;
    - Treasury Management Policy Statement at Appendix 3; and
    - Treasury Management Scheme of Delegation at Appendix 4

2. Delegate to the Deputy Chief Executive and City Treasurer, in consultation with the Executive Member for Finance and Human Resources, the power to pursue any restructuring, rescheduling or redemption opportunities available, including amendments to the Treasury Management Strategy if the changes require it. Any changes required to the Strategy will be reported to members at the earliest opportunity.

Wards Affected - All

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

Our Manchester Strategy outcomes	**Contribution to the strategy**
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	The Treasury Management function supports the whole Council by seeking to ensure that funding is available when required, to fund all 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 15 February 2023
- 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 cost-of-living crisis, 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 2023/24

1.6 The suggested strategy for 2023/24 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

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 2023/24 to 2025/26

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 2023/24 is noted in Appendix 1 of this report.

4.5 Under the revised Prudential and Treasury Management Codes, there are two new indicators introduced this year. They are:

- Net income from commercial and service investments to net revenue stream; and
- Liability benchmark.

4.6 The first new indicator is an indicator of affordability and proportionality, reflecting the scale of the revenue budget which is supported by income generated from non-treasury management investments, and which could be affected by changes to the economy and the financial environment.

4.7 The second indicator is a projection of the amount of loan debt outstanding that the authority needs each year and shows the gap between existing debt and future borrowing needs. It highlights the maturities of future debt needed so that future debt matches future liabilities.

4.8 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 2023 is:

Table 1	Principal			Av Rate
	GF £'m	HRA £'m	**Total** **£'m**	%
Long Term Borrowing				
PWLB	500.0	0.0	**500.0**	2.33
Market	330.0	60.7	**390.7**	4.44
Stock	0.9	0.0	**0.9**	4.00
SALIX	6.8	0.0	**6.8**	0.00
HCA	8.5	0.0	**8.5**	0.00
	846.1	60.7	**906.8**	
Short Term Borrowing				
Other	141.3	0	**141.3**	3.51
Gross Debt	987.4	60.7	**1,048.1**	
External Investments	0.0	0.0	**0.0**	0.0
Internal Balances (GF/HRA)	52.9	(52.9)	0	0.0
Net Debt	1,040.3	7.8	**1,048.1**	

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 Council's debt is comparatively high compared to other local authorities, due to both the relative size of the authority and the relatively high levels of capital expenditure funded by borrowing in recent years, for example the Our Town Hall refurbishment and the highways maintenance programme. A key element of the treasury management strategy is that debt should be both proportional and affordable, so that the debt costs associated with it are contained within existing revenue resources. To achieve this, the Council's balance sheet is monitored throughout the year, with debt management scenarios reviewed to understand the risks to the Council of changes in interest rates, for example. Decisions taken on new debt seek to balance market conditions with long term affordability.

6.5 The long-term forecast for external debt in comparison to the Capital Financing Requirement, known as the Liability Benchmark, is shown at Appendix 1. This highlights the level of internal borrowing, where the council is using its own cashflow and cash backed reserves in lieu of external debt. 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.

6.6 The forecast profile for the Capital Financing Requirement is shown in the table below:

	2022/23	2023/24	2024/25	2025/26	2026/27
	£'m				
Opening CFR	1,768.3	1,988.4	2,176.5	2,216.2	2,172.6
New Borrowing	255.8	208.6	84.0	3.3	
Additional long-term liabilities [1]	0.9	20.8	0.7	1.3	1.6
MRP	(36.6)	(41.3)	(45.0)	(48.2)	(47.6)
Closing CFR	**1,988.4**	**2,176.5**	**2,216.2**	**2,172.6**	**2,126.6**

6.7 The Capital Financing Requirement of the City Council as at 31st March 2023 is forecast to be c. £1.99bn. The difference between this and the actual gross debt of the Council is c. £0.9bn 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.

6.8 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.

6.9 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.

6.10 The portfolio at 31st March 2023 includes Council Stock with a value of £0.9m. This Stock debt is attributable to the irredeemable class of stock where

[1] The additional long term liabilities are likely to increase following the introduction of international Financial Reporting Standard 16, due in April 2024. 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.

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 7 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):

- 2023: 4.25%
- 2024: 4.00%
- 2025: 3.00%

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 6 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	2023/24	2024/25	2025/26
	£'m	**£'m**	**£'m**
	estimate	**estimate**	**estimate**
Planned Capital Expenditure funded by Borrowing	208.6	84.0	3.3
Change in Grants & Contributions	26.1	31.0	0.0
Change in Capital Receipts	(23.4)	(11.1)	(2.4)
Change in Reserves	69.5	70.7	45.0
MRP Provision	(37.2)	(40.6)	(43.6)
Refinancing of maturing debt (GF)	93.7	11.5	0.0
Refinancing of maturing debt (HRA)	0.0	0.0	0.0
Movement in Working Capital	80.0	0.0	0.0
Estimated Borrowing Requirement	**417.3**	**145.5**	**2.3**
Funded by:			
GF	417.3	145.5	2.3
HRA	0.0	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 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

9.4 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 early, but this would be at considerable cost in the current interest rate environment.

9.5 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.

9.6 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

9.7 The Council's proposed capital budget for 2023/24 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 2023/24 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.

9.8 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.

9.9 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

9.10 The overall forecast for long-term borrowing rates is that they are expected to rise gradually during 2023/24 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.

9.11 Some of the expected options for new borrowing are 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 June 2021, the UK Infrastructure Bank launched. It is independent of HM Treasury and 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 were available.

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

Table 3	**Mar 23**	**Jun 23**	**Sep 23**	**Dec 23**	**Mar 24**	**Dec 24**	**Mar 25**	**Dec 25**
	%							
Bank Rate	4.25	4.50	4.50	4.50	4.00	3.25	3.00	2.50
5 yr PWLB rate	4.20	4.20	4.10	4.00	3.90	3.50	3.40	3.10
10 yr PWLB rate	4.40	4.40	4.30	4.10	4.00	3.60	3.50	3.30
25 yr PWLB rate	4.60	4.60	4.50	4.00	4.20	3.90	3.70	3.50
50 yr PWLB rate	4.30	4.30	4.20	4.10	3.90	3.60	3.50	3.20

A more detailed Link forecast is included in Appendix 7 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.

9.12 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.

9.13 Following HRA reform the vast majority of the Council's existing debt portfolio consists of LOBOs and the Authority continues to need 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 considered unlikely to be called in the medium term, despite the interest rises across the last year. However, should long term interest rates increase further, this risk of call will also increase.

Sensitivity of the forecast

9.14 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

9.15 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.

9.16 The next financial year is again expected to be one of rates continuing to rise as the Bank of England looks to tackle inflation, with the expectation that rates will fall back in the medium term albeit not to the recent historic lows. At Appendix 6 there is an in-depth analysis of economic conditions provided by Link Asset Services, the Council's independent treasury advisors.

9.17 Over the next three years, investment rates are expected to continue to be 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.

9.18 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 could be marginally higher. Consideration will also be given to forward fixing rates whilst rates are favourable.

9.19 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

9.20 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.' DLUCH 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.

9.21 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

9.22 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

9.23 It is likely that opportunities to reschedule debt in the 2023/24 financial year will be limited due to prevailing debt interest rates being relatively similar to existing debt.

9.24 As short-term borrowing rates are expected to be 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.

9.25 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.

9.26 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)

9.27 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.

9.28 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.

9.29 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 9.

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'[2] and overlay that information on top of the credit ratings.

10.8 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.

10.9 For 2023/24 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.

10.10 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

[2] A credit default swap is a financial instrument that effectively provides the holder insurance against a loan defaulting. The CDS spread is the difference between the price at which providers are willing to sell the swap, and the price at which buyers are willing to buy. A relatively high spread may suggest that the loan is more likely to default.

10.11 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.

10.12 Specified investments are sterling denominated, with maturities up to a maximum of one year and meet the minimum ‘high’ rating criteria where applicable. Further details about some of the specified investments below can be found in later paragraphs in this Section.

Table 4	**Minimum ‘High’ Credit Criteria**	**Use**
Term deposits – banks and building societies[3]	See Creditworthiness Policy.	In-house
Term deposits – other Local Authorities	High security. Only few local authorities’ credit-rated	In-house
Debt Management Agency Deposit Facility	UK Government backed	In-house
Certificates of deposit issued by banks and building societies covered by UK Government guarantees	UK Government explicit guarantee	In-house
Money Market Funds (MMFs)	AAA	In-house
Treasury Bills	UK Government backed	In-house
Covered Bonds	AAA	In-house

Creditworthiness Policy

10.13 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

[3] Banks & Building Societies

The Council will keep the investment balance below or at the maximum limit based on the institutions credit rating as detailed in paragraph 10.21-10.22. If this limit is breached, for example due to significant late receipts, the Deputy Chief Executive and City Treasurer will be notified as soon as possible after the breach, along with the reasons for it. Please note this relates to specific investments and not balances held within the Council’s bank accounts, including the general bank account.

10.14 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.

10.15 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.

10.16 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[4] and other market data on a weekly basis. Extreme market movements may result in the downgrade of an institution or removal from the Council's lending list.

10.17 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

10.18 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.

10.19 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).

[4] The Markit iTraxx Senior Financials Index is a composite of the 25 most liquid financial entities in Europe. The index is calculated through an averaging process by the Markit Group and is used as the benchmark level of CDS spreads on Link Asset Services' Credit List.

UK Government (including the Debt Management Office)	£200 million
Greater Manchester Combined Authority	£200 million
Other Local Authorities (inc. pension funds)	£20 million

10.20 In seeking to diversify the Council will utilise other investment types which are described in more detail below and ensure that the investment portfolio is mixed to help mitigate credit risk. The following limits will apply to each asset type:

Total Deposit	**Amount**
Local Authorities	£250 million
UK Government - Debt Management Office - Treasury Bills	£200 million
Money Market Funds	£75 million
Certificates of Deposit	£25 million
Covered Bonds	£25 million

10.21 It may be prudent to temporarily increase the limits shown above, if the prevailing economic environment means that it becomes difficult for officers to place funds. If this is the case officers will seek approval from the Deputy Chief Executive and City Treasurer and any increase in the limits will be reported to Members through the normal treasury management reporting process.

Durational Limits

10.22 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.

10.23 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.

Environmental, Social and Governance Investment Policy

10.24 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.

10.25 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.

10.26 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

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

10.28 MMFs are investment instruments that invest in a variety of institutions therefore diversifying the investment risk. The funds are managed by a fund manager and have objectives to preserve capital, provide daily liquidity and a competitive yield. Most money market funds invest both inside and outside the UK. MMFs also provide flexibility as investments and withdrawals can be made daily.

10.29 MMFs are rated through a separate process to bank deposits. This looks at the average maturity of the underlying investments in the Fund as well as the credit quality of those investments. The Council will only use MMFs where the institutions hold the highest AAA credit rating and those which are UK or European based.

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

Treasury Bills

10.31 Treasury Bills are marketable securities issued by the UK Government and counterparty and liquidity risk is relatively low although there is potential risk to value arising from an adverse movement in interest rates unless they are held to maturity.

Certificates of Deposit

10.32 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 bailin 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

10.33 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

10.34 Based on cash flow forecasts, the level of cash balances in 2023/24 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

10.35 Link's view of the forecast Bank Rate is noted at Section 9. Link's view is that the Bank Rate will increase during 2023, given the high inflation outlook.

10.36 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.

10.37 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.

10.38 The Council uses the Sterling Overnight Index Average (SONIA) as a benchmark rate for investments and temporary borrowing following the phasing out of LIBOR by the Bank of England and the Financial Conduct Authority (FCA). SONIA represents the overnight rate of interest banks pay to borrow sterling overnight, unsecured, from other financial institutions.

10.39 This change means that the benchmark rate is now based on observable data, whereas LIBOR/ID was based on information provided by major banks. The impact on SONIA of changes in the Bank of England bank rate is far more immediate, particularly when compared to the investment instruments that the Council uses where there is a time lag between bank rate changing and the rate offered for the instrument reflecting that change.

10.40 For 2022/23 it is suggested the Council should target an investment return on investments placed during the financial year that is close to the SONIA. This reflects the ongoing market uncertainty, and the short-term nature of any cash that the Council holds. 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.

10.41 The SONIA rate will also be applied to any transfer rates between the General Fund and the HRA, further details are outlined in Appendix 9. 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

10.42 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

10.43 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.

10.44 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 Non-Treasury Investments and Liabilities

11.1 CIPFA's revised Prudential and Treasury Management Codes acknowledge that authorities may hold non-treasury investments. These are investments held for service purposes, such as housing or regeneration, or commercial purposes. They are non-treasury because they are not related to the management of the authority's cash flows. Non-treasury investments are classed as capital expenditure.

11.2 The Council has a portfolio of non-treasury investments, including investment property, as outlined below. Such capital investments are regularly reviewed to ensure they continue to perform as expected. Whilst these investments are held for fundamentally different reasons compared to treasury management investments, it is important to set out how they will be managed, and the Council's overall approach.

Approach, Due Diligence and Risk Appetite

11.3 Council investments are managed in line with the Department for Levelling Up, Homes and Communities (DLUHC) 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.

11.4 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

11.5 The Council has the current historic investments on the balance sheet as at 31st March 2022:

	Value as at 31/3/22
	£m
Long-term debtors	486.2
Long-term investments	141.5
Investment Property	493.7
Total	**1,121.4**

11.6 Long-term debtors are loan finance provided by the Council, including the loans to Manchester Airport (£313.9m), Public Finance Initiative prepayments (£20.9m), and Manchester College (£19.0m), for which repayments have begun. These loans are regularly reviewed and would be impaired if there was a risk of default.

11.7 Long-term investments are equity investments held including Manchester Airport (£112.4m), a car park at Manchester Airport (£4.8m), Destination Manchester (£10.2m) which is the Council's investment in Manchester Central, Manchester Science Park (£6.2m) and Matrix Homes (£5.6m). Investments are valued on an annual basis.

11.8 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.

11.9 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
- This City – debt and equity to create a housing company providing affordable housing; and
- Victoria North – loans to support the Victoria North joint venture in acquiring land.

11.10 There may be other projects which become capital investments, such as to support the Eastern Gateway and Victoria North.

11.11 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.

11.12 Where investments provide a return through interest or dividends this can be used to support the revenue budget. For example, in 2022/23 c. £24.9m 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.

11.13 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.

Commercial Investments

11.14 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.

11.15 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.

11.16 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.

11.17 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.

11.18 The outcome of the consultation also requires local authorities to only invest within their economic area.

12 Skills and Knowledge

12.1 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 capital investment 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.

12.2 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".

13 Scheme of Delegation

13.1 Appendix 4 describes the responsibilities of Member groups and officers in relation to treasury management.

14 Role of the Section 151 Officer

14.1 Appendix 5 notes the definition of the role of the Deputy Chief Executive and City Treasurer in relation to treasury management.

15 Minimum Revenue Provision (MRP) Strategy

15.1 Appendix 2 contains the Council's policy for spreading capital expenditure charges to revenue through the annual MRP charge.

16 Recommendations

16.1 Please see the start of the report for the list of recommendations.

17 Contributing to a Zero-Carbon City

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

18 Contributing to the Our Manchester Strategy

18.1 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.

19 Key Policies and Considerations

(a) Equal Opportunities

19.1 None.

(b) Risk Management

19.2 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.

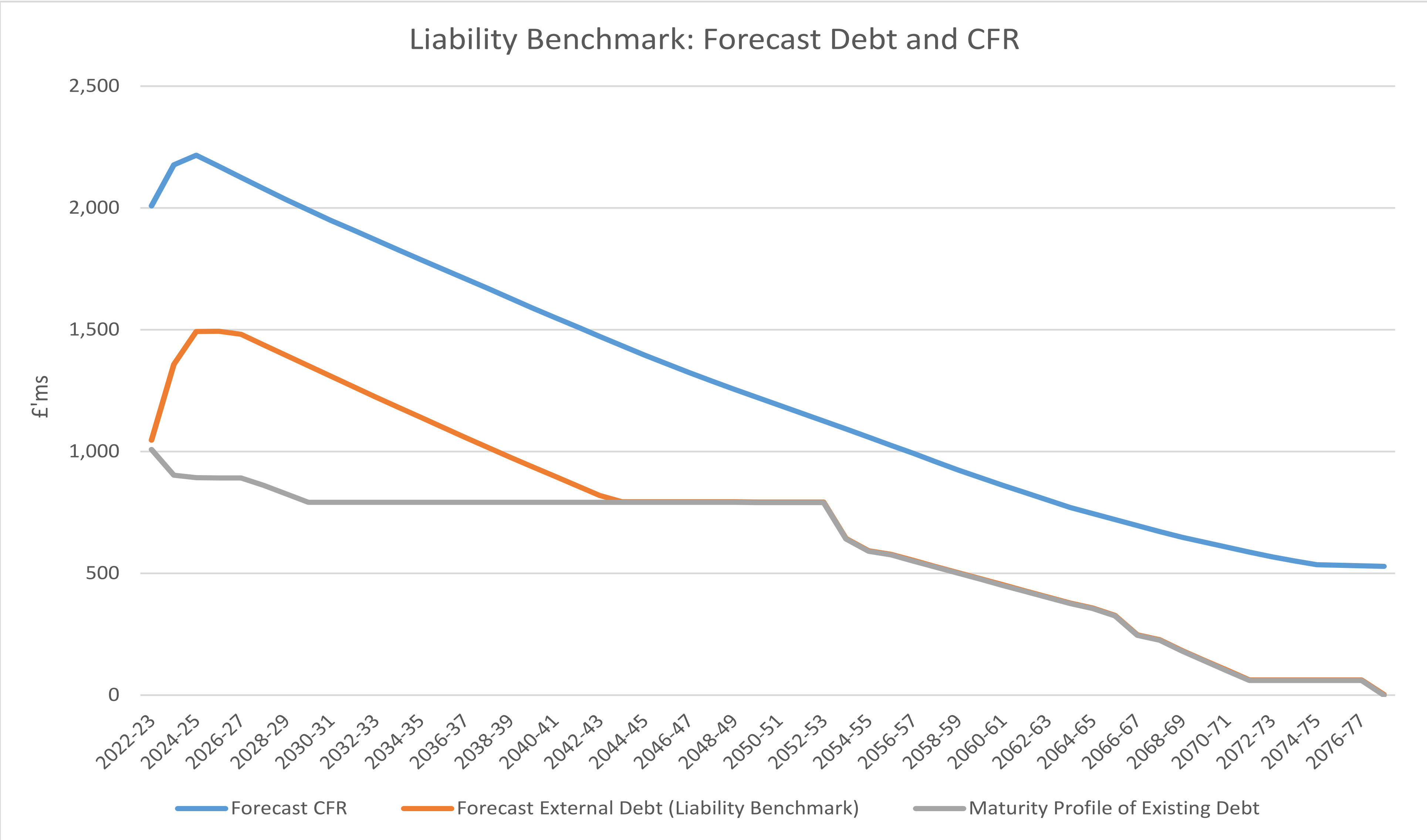
(c) Legal Considerations

19.3 None.

20 Appendices

Appendix 1 - Prudential and Treasury Indicators for approval
Appendix 2 - Minimum Revenue Provision Strategy
Appendix 3 - Treasury Management Policy Statement
Appendix 4 - Treasury Management Scheme of Delegation
Appendix 5 - The Treasury Management role of the Section 151
Appendix 6 - Economic Background January 2023 – Link Asset Service
Appendix 7 - Interest Rate Forecasts 2022 – 2025
Appendix 8 - Glossary of Terms
Appendix 9 - Treasury Management Implications of HRA Reform

Appendix 1
Prudential and Treasury Indicators for approval



Please note last years approved figures are shown in brackets.

Treasury Management Indicators	**2023-24**		**2024-25**		**2025-26**
	%		%		%
Estimated Financing Costs to Net Revenue Stream[1]	5.49		5.37		5.34
Estimated Net Income from Commercial and Service Investments to Net Revenue Stream	10.8		10.6		10.4
	£m		£m		£m
Authorised Limit - external debt					
Borrowing	1,825.1	(1,816.1)	1,811.9	(1,816.1)	1,811.9
Other long-term liabilities	190.0	(190.0)	190.0	(190.0)	190.0
TOTAL	2,015.1	(2,006.1)	2,001.9	(2,006.1)	2,001.9
Operational Boundary - external debt					
Borrowing	1,620.5	(1,698.5)	1,726.3	(1,724.0)	1,728.1
Other long-term liabilities	190.0	(190.0)	190.0	(190.0)	190.0
TOTAL	1,810.5	(1,888.5)	1,916.3	(1,914.0)	1,918.1
Estimated external debt	1,465.5	(1,572.0)	1,611.0	(1,606.0)	1,613.3
Upper limit for total principal sums invested for over 364 days	0	(0)	0	(0)	0
Estimated Capital Expenditure					
Non - HRA	377.4	(223.2)	155.7	(51.3)	22.5
HRA	49.0	(31.9)	43.7	(14.6)	11.6
TOTAL	426.4	(255.1)	199.4	(65.9)	34.1
Estimated Capital Financing Requirement (as at 31 March)					
Non – HRA	1854,7	(1,895.8)	1893.7	(1,898.6)	1845.4
HRA	321.8	(321.8)	322.5	(322.6)	323.9
TOTAL	2,176.5	(2,220.6)	2,216.2	(2,221.2)	2,169.3

Maturity structure of borrowing during 2023-24	Upper Limit		Lower limit	

[1] Note that for 2024-25 onward these are based on estimated net revenue budgets.

under 12 months 12 months and within 24 months 24 months and within 5 years 5 years and within 10 years 10 years and above	70% 60% 40% 50% 80%	(70%) (70%) (60%) (60%) (90%)	0% 0% 0% 0% 30%	(0%) (0%) (0%) (0%) (30%)
Has the Authority adopted the CIPFA Treasury Management Code?				Yes

The status of the indicators will be included in Treasury Management reporting during 2023/24. They will also be included in the Council's Capital Budget monitoring reports during 2023/24.

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 Net Income from Commercial and Service Investments to Net Revenue Stream

The authority will set for the forthcoming year and the following financial years an estimate of new income from commercial and service investments to net revenue stream. The indicator is intended to show the financial exposure of the authority to the loss of income, and therefore the proportionality of commercial and service investment income to the authority's overall budget.

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.

Liability Benchmark

The liability benchmark is a projection of the amount of loan debt outstanding that the authority needs each year into the future to fund its existing debt liabilities, planned prudential borrowing and other cash flows. The benchmark shows the gap between the authority's outstanding loans at future points in time and the authority's need to for borrowing (the benchmark). It can be used to identify the debt maturities needed for new borrowing in order to match to future liabilities.

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.

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<u>Appendix 2</u>

Minimum Revenue Provision Strategy

The Council implemented the new Minimum Revenue Provision (MRP) guidance in 2011/12 and has assessed its MRP for 2023/24 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 3

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 4

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 5

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 6

Economic Background January 2023 – Link Asset Services

This section has been prepared by the Council's Treasury Advisors, Link Asset Services, for the Treasury Management Strategy Statement 2023/24.

Against a backdrop of stubborn inflationary pressures, the easing of Covid restrictions in most developed economies, the Russian invasion of Ukraine, and a range of different UK Government policies, it is no surprise that UK interest rates have been volatile right across the curve, from Bank Rate through to 50-year gilt yields, for all of 2022.

Market commentators' misplaced optimism around inflation has been the root cause of the rout in the bond markets with, for example, UK, EZ and US 10-year yields all rising by over 200bps since the turn of the year. The table below provides a snapshot of the conundrum facing central banks: inflation is elevated but labour markets are extra-ordinarily tight, making it an issue of fine judgment as to how far monetary policy needs to tighten.

	UK	Eurozone	US
Bank Rate	3.5%	2.0%	4.25%-4.50%
GDP	-0.2%q/q Q3 (2.4%y/y)	+0.2%q/q Q3 (2.1%y/y)	2.6% Q3 Annualised
Inflation	10.7%y/y (Nov)	10.1%y/y (Nov)	7.1%y/y (Nov)
Unemployment Rate	3.7% (Oct)	6.5% (Oct)	3.7% (Nov)

Q2 of 2022 saw UK GDP revised upwards to +0.2% q/q, but this was quickly reversed in the third quarter, albeit some of the fall in GDP can be placed at the foot of the extra Bank Holiday in the wake of the Queen's passing. Nevertheless, CPI inflation has picked up to what should be a peak reading of 11.1% in October, although with further increases in the gas and electricity price caps pencilled in for April 2023, and the cap potentially rising from an average of £2,500 to £3,000 per household, there is still a possibility that inflation will spike higher again before dropping back slowly through 2023.

The UK unemployment rate fell to a 48-year low of 3.6%, and this despite a net migration increase of c500k. The fact is that with many economic participants registered as long-term sick, the UK labour force actually shrunk by c500k in the year to June. Without an increase in the labour force participation rate, it is hard to see how the UK economy will be able to grow its way to prosperity, and with average wage increases running at over 6% the MPC will be concerned that wage inflation will prove just as sticky as major supply-side shocks to food and energy that have endured since Russia's invasion of Ukraine on 22nd February 2022.

Throughout Q3 Bank Rate increased, finishing the quarter at 2.25% (an increase of 1%). Q4 has seen rates rise to 3.5% in December and the market expects Bank Rate to hit 4.5% by May 2023.

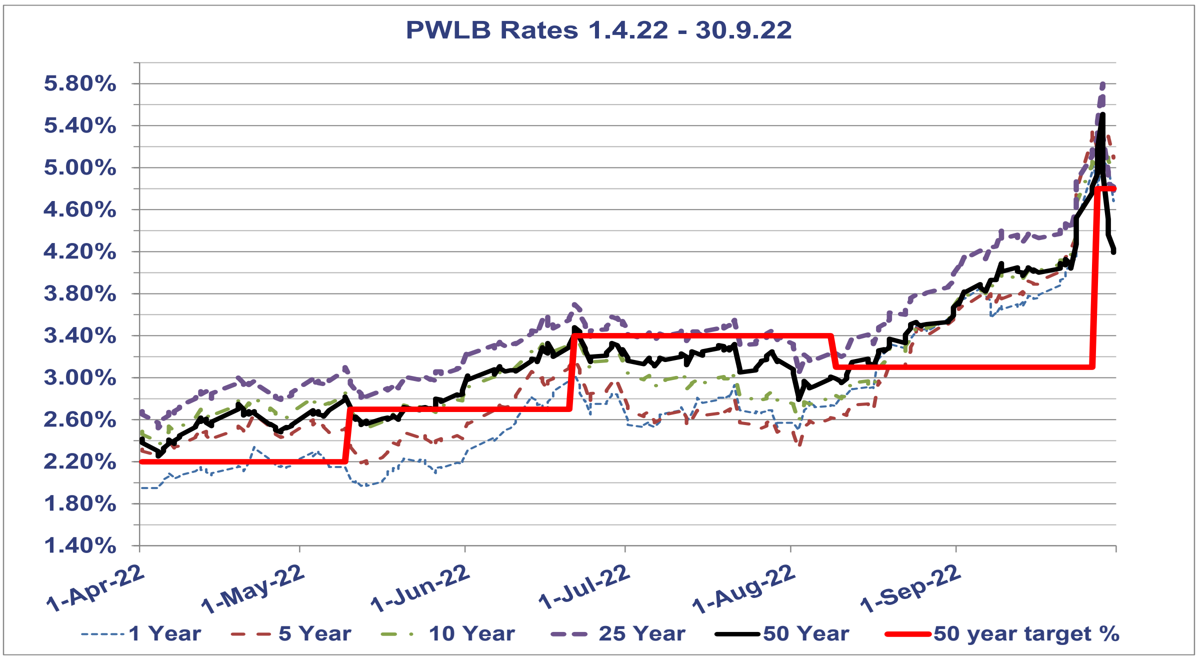
Following a Conservative Party leadership contest, Liz Truss became Prime Minister for a tumultuous seven weeks that ran through September and October. Put simply, the markets did not like the unfunded tax-cutting and heavy spending policies put forward by her Chancellor, Kwasi Kwarteng, and their reign lasted barely seven weeks before being replaced by Prime Minister Rishi Sunak and Chancellor Jeremy Hunt. Their Autumn

Statement of 17th November gave rise to a net £55bn fiscal tightening, although much of the "heavy lifting" has been left for the next Parliament to deliver. However, the markets liked what they heard, and UK gilt yields have almost completely reversed the increases seen under the previous tenants of No10/11 Downing Street.

Globally, though, all the major economies are expected to struggle in the near term. The fall below 50 in the composite Purchasing Manager Indices for the UK, US, EZ and China all point to at least one, if not more, quarters of GDP contraction. In November, the MPC projected eight quarters of negative growth for the UK lasting throughout 2023 and 2024, but with Bank Rate set to peak at lower levels than previously priced in by the markets and the fiscal tightening deferred to some extent, it is not clear that things will be as bad as first anticipated by the Bank.

The £ has strengthened of late, recovering from a record low of $1.035, on the Monday following the Truss government's "fiscal event", to $1.22. Notwithstanding the £'s better run of late, 2023 is likely to see a housing correction of some magnitude as fixed-rate mortgages have moved above 5% and affordability has been squeezed despite proposed Stamp Duty cuts remaining in place.

In the table below, the rise in gilt yields, and therein PWLB rates, through the first half of 2022/23 is clear to see.



However, the peak in rates on 28th September as illustrated in the table covering April to September 2022 below, has been followed by the whole curve shifting lower. PWLB rates at the front end of the curve are generally over 1% lower now whilst the 50 years is over 1.75% lower.

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	1.95%	2.18%	2.36%	2.52%	2.25%
Date	01/04/2022	13/05/2022	04/04/2022	04/04/2022	04/04/2022
High	5.11%	5.44%	5.35%	5.80%	5.51%
Date	28/09/2022	28/09/2022	28/09/2022	28/09/2022	28/09/2022
Average	2.81%	2.92%	3.13%	3.44%	3.17%
Spread	3.16%	3.26%	2.99%	3.28%	3.26%

After a shaky start to the year, the S&P 500 and FTSE 100 have climbed in recent weeks, albeit the former is still 17% down and the FTSE 2% up. The German DAX is 9% down for the year.

CENTRAL BANK CONCERNS – DECEMBER 2022

In December, the Fed decided to push up US rates by 0.5% to a range of 4.25% to 4.5%, whilst the MPC followed by raising Bank Rate from 3% to 3.5%, in line with market expectations. EZ rates have also increased to 2% with further tightening in the pipeline.

Having said that, the sentiment expressed in the press conferences in the US and the UK were very different. In the US, Fed Chair, Jerome Powell, stated that rates will be elevated and stay higher for longer than markets had expected. Governor Bailey, here in the UK, said the opposite and explained that the two economies are positioned very differently so you should not, therefore, expect the same policy or messaging.

Regarding UK market expectations, although they now expect Bank Rate to peak within a lower range of 4.5% - 4.75%, caution is advised as the Bank of England Quarterly Monetary Policy Reports have carried a dovish message over the course of the last year, only for the Bank to have to play catch-up as the inflationary data has proven stronger than expected.

In addition, the Bank's central message that GDP will fall for eight quarters starting with Q3 2022 may prove to be a little pessimistic. Will the £160bn excess savings accumulated by households through the Covid lockdowns provide a spending buffer for the economy – at least to a degree? Ultimately, however, it will not only be inflation data but also employment data that will mostly impact the decision-making process, although any softening in the interest rate outlook in the US may also have an effect (just as, conversely, greater tightening may also).

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Appendix 7

Interest Rate Forecasts 2022 – 2025

PWLB forecasts shown below have taken into account the 20 basis point certainty rate reduction effective as of the 1st November 2012.

	MAR-23	Jun-23	Sep-23	Dec-23	Mar-24	Dec-24	Mar-25	Dec-25
Bank Rate	4.25	4.50	4.50	4.50	4.00	3.25	3.00	2.50
5yr PWLB	4.20	4.20	4.10	4.00	3.90	3.50	3.40	3.10
10yr PWLB	4.40	4.40	4.30	4.10	4.00	3.60	3.50	3.30
25yr PWLB	4.60	4.60	4.50	4.00	4.20	3.90	3.70	3.50
50yr PWLB	4.30	4.30	4.20	4.10	3.90	3.60	3.50	3.20

The Link forecasts are as at 19.12.22.

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Appendix 8

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 9

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.

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