Public Document Pack

MANCHESTER
CITY COUNCIL

Resources and Governance Scrutiny Committee

This is the 2024/25 Budget Papers Pack containing all the budget-related documentation to be considered at the Resources and Governance Scrutiny Committee on 26 February 2024 and Budget Council on 1 March 2024.

Agenda

5. The Council's Budget 2024/25 - Budget Papers Pack
In connection with the above, the following documents were considered by Executive on 14 February 2024.

(5a) Revenue Budget Monitoring (P9) to the end of December 2023;
(5b) Capital Programme Monitoring P9 2023/24;
(5c) Medium Term Financial Strategy and 2024/25 Revenue Budget;
(5d) Corporate Core Budget 2024/25;
(5e) Children and Education Services Budget 2024/25;
(5f) Dedicated Schools Grant 2024/25;
(5g) Public Health Budget 2024-27;
(5h) Adult Social Care Budget 2024/25;
(5i) Neighbourhoods Directorate Budget 2024/25;
(5j) Growth and Development Directorate Budget 2024/25;
(5k) Housing Revenue Account 2024/25 to 2026/27;
(5l) Capital Strategy and Budget 2023/24 to 2026/27;
(5m) Treasury Management Strategy Statement 2024/25, 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:

Agenda for Resources and Governance Scrutiny Committee on Monday, 26th February, 2024, 10.00 am (manchester.gov.uk)

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

5a. Revenue Budget Monitoring (P9) to the end of December 2023 5 - 30
Report of the Deputy Chief Executive and City Treasurer.

5b. Capital Programme Monitoring P9 2023/24 31 - 66
Report of the Deputy Chief Executive and City Treasurer.

5c. Medium Term Financial Strategy and 2024/25 Revenue Budget 67 - 216
Report of the Deputy Chief Executive and City Treasurer.

5d. Corporate Core Budget 2024/25 217 - 256
Report of the Deputy Chief Executive and City Treasurer.

5e. Children and Education Services Budget 2024/25 257 - 284
Report of the Strategic Director (Children's and Education Services).

5f.	**Dedicated Schools Grant 2024/25** Report of the Strategic Director (Children's and Education Services).	285 - 294
5g.	**Public Health Budget 2024-27** Report of the Director of Public Health.	295 - 322
5h.	**Adult Social Care Budget 2024/25** Report of the Executive Director of Adult Social Services.	323 - 364
5i.	**Neighbourhoods Directorate Budget 2024/25** Report of the Strategic Director (Neighbourhoods).	365 - 392
5j.	**Growth and Development Directorate Budget 2024/25** Report of the Strategic Director (Growth and Development).	393 - 416
5k.	**Housing Revenue Account 2024/25 to 2026/27** Report of the Strategic Director (Growth and Development), Strategic Director (Neighbourhoods) and Deputy Chief Executive and City Treasurer.	417 - 446
5l.	**Capital Strategy and Budget 2023/24 to 2026/27** Report of the Deputy Chief Executive and City Treasurer.	447 - 494
5m.	**Treasury Management Strategy Statement 2024/25, including borrowing limitations and Annual Investment Strategy** Report of the Deputy Chief Executive and City Treasurer.	495 - 552

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. To help facilitate this, the Council encourages anyone who wishes to speak at the meeting to contact the Committee Officer in advance of the meeting by telephone or email, who will then pass on your request to the Chair for consideration. 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.

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Smoking is not allowed in Council buildings.

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This agenda was issued on **Friday, 16 February 2024** 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 – 14 February 2024 Resources and Governance Scrutiny Committee – 26 February 2024
Subject:	Revenue Monitoring (P9) to the end of December 2023
Report of:	Deputy Chief Executive and City Treasurer

Purpose of the Report

The report outlines the projected outturn position for 2023/24, based on expenditure and income activity as at the end of December 2023 and future projections.

Recommendations

The Executive is requested to:

(1) Note the global revenue monitoring report and forecast outturn position which is showing a £5.5m overspend.
(2) Approve the proposed budget virements (para. 2.8 to 2.10).
(3) Approve the proposed use of revenue grant funding (para. 2.12).

Wards Affected: All

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

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 £5.5m for 2023/24, based on activity to date and projected trends in income and expenditure, government funding confirmed to date and other changes.

This report focuses on 2023/24, however 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 2023
Revenue Monitoring to the end of September (P6) - Executive Meeting 15 November 2023
Revenue Budget Update and Corporate Core Budget Proposals 2024/25 -Resources and Governance – 9 November 2023
Provisional Local Government Finance Settlement 2024/25 and Budget - Resources and Governance Scrutiny Committee 11 January 2024

1. Introduction

1.1. This report provides an overview of the Council’s revenue budget position for 2023/24 which is forecast at an overspend of £5.5m.

2. Financial position 2023/24

2.1. The current budget monitoring forecast is an overspend of £5.5m. This is in the context of significant financial difficulty being faced across the Local Government sector. The Councils position reflects the national pressures in the health and social care sector and trends being experienced across most Social Care providing local authorities.

2.2. Children’s directorate is facing an overspend of £7.7m due to increased External Residential costs, Home to School Transport demand, workforce and price pressures and overspends in Localities and Fostering workforce budgets. The biggest pressure relates to external residential placements and increased complexity of need of the current cohort. Placement costs have increased by 47% in the current financial year. Investment in provision for those children with higher levels of needs is underway as set out in the Children’s Services Budget Report. Once this work is complete this should reduce some of the pressures on the external residential care budgets.

2.3. The Adults overspend is forecast at £3.7m, driven by long term care placements and cost pressures which are outpacing demand management interventions. Neighbourhoods are forecasting an overspend of £1.4m in relation to shortfalls of income in markets and car parking as income levels have failed to recover since the pandemic and alternative locations for the Christmas markets have not replaced the losses incurred at Albert Square.

2.4. These pressures are partly offset by a forecast £2m utilities underspend due to the new contract for electricity effective 1 October 2023, and an additional £1m driven by the release of fortuitous income which represents unallocated income balances not allocated to services. In year price inflation of £455k has been released at P9 plus £553k unallocated pay award due to vacancy levels.

2.5. Underspends of £0.8m in Public Health, arising from the confirmation of external funding; £1.5m in Growth and Development mostly due planning fee income and £1.2m in the Corporate Core, mainly due staffing underspends and extra income and reduced costs in Coroners.

2.6. £25.2m of savings were agreed as part of the budget process. Of these £15.1m (60%) are on track for delivery, £1.5m (6%) are risk-rated medium, and £8.5m (34%) rated high risk in terms of the likelihood of delivery. As part of the 2024/25 budget-setting process officers have identified alternative savings where original plans may not be achieved or delayed. The red rated savings are in Looked after Children and Adult Social Care.

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

Virements

2.8. The following budget virements are presented for approval

2.9. Following agreement of the 2023/24 pay award on 1st November 2023 of £1,925 for employees on Grades 1 to 10, 3.88% for employees on Grades 11 to SS2 and 3.5% for employees on Grades SS3 and above. The total cost is an average uplift of 6% within the budget set aside of £15.6m. Due to vacancies the full balance is not required resulting in an underspend of £553k.The pay award inflation budget of c£15.047m has been allocated to directorates as follows:

- Children's Services - £3.165m
- Adult Social Care - £4.341m
- Public Health - £167k
- Corporate Core - £4.140m
- Growth and Development - £279k
- Homelessness - £789k
- Neighbourhoods - £2.195k

2.10. The 2023/24 budget allowed for price inflation of £14.292m, of which £7.858m has been previously allocated. The requests outlined below total £5.979m. The unallocated balance of £0.455k has been released to support the overall position.

- Children's Services - £386k increases to the Home to school transport contract.
- Adult Social Care - £0.565m for Disability Supported Accommodation Services relating to:
  - Contractual agency uplifts of £250k,
  - Increased costs of care for those with Learning Disabilities in supported accommodation £215k
  - Lower level contracts inflated 5% £100k
- Neighbourhoods – Requests totalling £3.213m relating to:
  - BIFFA £1.663m contractual increase linked to staffing costs, vehicle parts, mechanical sweepers, tools and equipment.
  - Off Street Parking £0.538m made up of made up of increases in the Parking Enforcement Contract £0.273m, rent and rates increases £0.1054m and the contract for emptying bins cleaning carparks and removing waste £0.048m
  - Security £0.273m relating to CCTV and security costs for the control room.
  - Redgate Waste £0.184m - following a tender exercise the disposal rate per tonne has increased by 3%.
  - Highways Street Lighting (unitary charge) £0.555m - contractual agreement for operating the PFI
- Corporate Core- £1.102m relating to:
  - Facilities Management increase of £0.525m due to increases in the Equans contract (1.4%) Mitie Security increases (range between 8-13%.)
  - ICT Contract increases and Market Rate Supplements £0.376m.

    - Members Allowances Increases of 3.96% costing £92k
    - Operational Property business rates and rent increases £109k
- Growth & Development - £263k relating to the contractual costs of procuring expert valuations of the Councils assets
- Corporate Budgets - £450k to fund the 10.1% increase in historic pension liabilities.

Additional Revenue Grants

2.11. Since the 2023/24 budget was approved there have been additional grant notifications which are now reflected in the revised budget as follows:

- Chief Executives – Redmond Review - £83k. This is money provided by central government to support the increasing costs of the annual external audit.
- Early Years Expansion Grant - £98k. The funding will serve as an additional financial resource to ensure that from April 2024, working parents of 2-year-olds will be able to access 15 hours of free childcare per week (38 weeks a year). The payment is to cover the setup, support and delivery of the new expansion funding.
- Early years Teachers Pay additional grant - £224k. The purpose of this grant is to help and support the pay increase awarded to teachers from September 2023 for the Early Years settings with a qualified teacher status (QTS) in post. These increased funds will support the increase in salary costs from September 2023 to March 2024 for Early Years settings
- Smoking Cessation - £0.929m. The DHSC has notified local authorities that funding is to be awarded by new Section 31 grant funding, for the purposes of providing treatment to smokers to help them to stop and closely linked activity.

3. Conclusion

3.1. The current forecast is an overspend of £5.5m which reflects significant pressures in Long Term Adult Social Care and increased external residential costs for Looked After Children, partly offset by reduced utilities costs and underspends in other directorates. Overspending Directorates are working on recovery plans to mitigate their positions with an aim to reduce the overspend by the end of the financial year.

3.2. Any overspend this year will be a direct call on the General Fund reserve which would need to be reimbursed in future years. It is important mitigations continue to be identified to bring forecast spend back in line with the available budget. The forecast ongoing impact of the pressures faced this year has been addressed in the 2024/25 budget elsewhere on this meeting agenda.

Financial Year 2023/24 Period 9

Executive 14th February 2024

Appendix 1: Revenue Budget Monitoring Report

- The Council is forecasting to overspend against its Revenue Budget for 2023/24 by £5.5m, a worsening of the position by £2m since Period 6. The Council continues to face severe inflationary and cost price pressures, particularly in Adults and Children's Services. The Adults overspend is £3.6m, driven by long term care placements and cost pressures which are outpacing demand management interventions. Children's are facing £7.7m of pressures due to increased External Residential costs, Home to School Transport demand, workforce and price pressures and overspends in Localities and Fostering workforce budgets. Neighbourhoods are forecasting an overspend of £1.4m in relation to shortfalls of income in markets and car parking as income levels have failed to recover since the pandemic and alternative locations for the Christmas markets have not replaced the losses incurred at Albert Square. These overspends are offset by underspends in Growth and Development, Population Health and Corporate Core due to revised recruitment assumptions and additional income.
- Overspending Directorates are working on recovery plans to mitigate their positions with an aim to reduce by the end of the financial year.
- Planned total Directorate savings in 2023/24 total £25.2m. Of these £8.5m (34%) are high risk and are unlikely to be delivered, £1.5m (6%) are medium risk and £15.1m (60%) are low risk in that they are on track to be achieved or mitigated. Work is ongoing to find alternative savings where original plans may not be achieved.

Table 1 – Forecast Outturn against Budget 2023/24

Summary P9	Original Budget	Gross Expenditure Budget	Gross Income Budget	Revised Budget	Projected Outturn	Variance	Movement from last report (P6)
	£000	£000	£000	£000	£000	£000	£000
Total Available Resources	**(745,218)**	**0**	**(765,134)**	**(765,134)**	(766,194)	(1,060)	(1,176)
Total Corporate Budgets	123,025	107,445	**0**	**107,445**	104,620	(2,825)	(825)
Children's Services	138,234	250,630	(106,056)	**144,574**	152,331	7,757	2,968
Adult Social Care	211,947	286,892	(66,689)	**220,203**	223,889	3,686	2,119
Public Health	41,955	54,967	(11,606)	**43,361**	42,596	(765)	194
Neighbourhoods	135,294	260,907	(120,863)	**140,044**	141,474	1,430	(125)

Growth and Development	(9,733)	38,560	(50,016)	**(11,456)**	(12,983)	(1,527)	(327)
Corporate Core	104,496	345,747	(224,784)	**120,963**	119,800	(1,163)	(806)
Total Directorate Budgets	**622,193**	**1,237,703**	**(580,014)**	**657,689**	**667,106**	**9,418**	**4,022**
Total Use of Resources	**745,218**	**1,345,148**	**(580,014)**	**765,134**	**771,726**	**6,592**	**3,197**
Total forecast over / (under) spend	**0**	**1,345,148**	**(1,345,148)**	**0**	**5,532**	**5,532**	**2,021**

Corporate Resources– £1.06m Over-achievement

Resources Available	Gross Expenditure Budget	Gross Income Budget	Net Annual Budget	Projected Outturn	Variance from Budget	Movement from Last Report
	£000	£000	£000	£000	£000	£000
Retained Business Rates	0	(297,929)	(297,929)	(297,929)	0	0
Business Rates Grants	0	(87,597)	(87,597)	(87,597)	0	0
Council Tax	0	(217,968)	(217,968)	(217,968)	0	0
Other Specific Grants	0	(143,879)	(143,879)	(143,763)	116	0
Dividends	0	0	0	0	0	0
Use of Reserves	0	(17,761)	(17,761)	(17,761)	0	0
Fortuitous Income	0	0	0	(1,176)	(1,176)	(1,176)
Total Corporate Resources	**0**	**(765,134)**	**(765,134)**	**(766,194)**	**(1,060)**	**(1,176)**

Corporate Resources - Financial Headlines

- Fortuitous income of £1.2m relates to the release of £1.16m income which had been received by the Council but not allocated to services over a number of years. These balances have now been allocated to support the corporate position. £16k has also been released from the bad debt provision.
- The waste levy rebate was slightly less than originally estimated by £116k after the allocations had been made.
- Business Rates Collection as at the end of December is 80.96% (excluding account credits) compared to 80.89% in 2022/23, 75.12% in 2021/22, 64.41% in 2020/21 and 78.21% in 2019/20 (pre pandemic comparator). This demonstrates a return to pre-pandemic collection rates.
- Council Tax Collection is still lower than pre pandemic, it is 70.77% at the end of December which compares to 70.91% in 2022/23, 71.71% in 2021/22, 72.07% in 2020/21 and 74.04% in 2019/20 (pre pandemic comparator). The fall could be linked to cost-of-living pressures.

- Invoices paid within 30 days is 93.84%, against the target of 95%.
- £5.118m (8.56%) of £59.785m of pursuable debt is over a year old and still to be recovered by the Council (as at end of December 2023).

Corporate Costs – £2.825m Underspend

Planned Use of Resources	Gross Expenditure Budget	Gross Income Budget	Net Annual Budget	Projected Outturn	Variance from Budget	Movement from Last Report
	£000	£000	£000	£000	£000	£000
Capital Charges	43,218	0	43,218	43,218	0	0
Insurance Charges	2,004	0	2,004	2,004	0	0
Transfer to Reserves	10,334	0	10,334	10,334	0	0
Contingency	600	0	600	600	0	0
Inflationary Budgets and Budgets to be Allocated	2,325	0	2,325	(683)	(3,008)	(1,008)
Apprentice Levy	1,060	0	1,060	1,243	183	183
Levies	39,407	0	39,407	39,407	0	0
Historic Pension Costs	8,497	0	8,497	8,497	0	(0)
Total Corporate Budgets	**107,445**	**0**	**107,445**	**104,620**	**(2,825)**	**(825)**

Corporate Costs - Financial Headlines

- Inflationary budgets are forecast to underspend by £3.008m broken down by:
  - £2m due to the clawback of electricity budgets previously included within service budgets, following a new contract awarded Oct 23 at a reduced price.
  - £15.047m has been allocated to services following the agreement of the 2023/24 pay award, leaving £553k unallocated which can now be released.
  - Following Executive approval £5.979m has been allocated in P9 to services for in year price increases. In addition to the £2.442m allocated in P4 that leaves £455k remaining which can now be released.
- The Apprentice Levy is forecast to overspend by £183k due to increased payroll costs following the pay award.
- The Consumer Prices Index (CPI) was 4.0% in the 12 months to December 2023, with an increase of 0.1% since November 2023. At this stage, it is expected price inflation can be contained within the inflation budgets available.
- Historic pension payments are increased annually from April by the CPI % rate in September of the previous year. Usually, these costs reduce as the number of recipients fall throughout the year, however, any reductions in numbers are likely to be offset by the high increases in pension payments due to September 2022 CPI being 10.1%.

Children's Services - £7.757m overspend

Childrens Social Care	Gross Expenditure Budget	Gross Income Budget	Net Annual Budget	Projected Outturn	Variance from Budget	Movement from Last Report
	£000	£000	£000	£000	£000	£000
LAC Placements	56,098	(6,452)	49,646	55,043	5,398	2,697
LAC Placements Service	9,443	(940)	8,502	8,705	203	(60)
Permanence and Leaving Care	31,492	(14,664)	16,828	17,669	841	311
Children Safeguarding Service Areas	53,354	(13,192)	40,162	40,476	314	(39)
Children's Safeguarding	**150,386**	**(35,248)**	**115,138**	**121,894**	**6,756**	**2,909**
Education Services	77,519	(69,888)	7,631	7,510	(121)	(50)
Home to School Transport	14,857	(280)	14,578	15,617	1,039	174
Targeted Youth Support Service	850	0	850	830	(20)	12
Education	**93,227**	**(70,167)**	**23,059**	**23,957**	**897**	**135**
Children's Strategic Management and Business Support	7,017	(641)	6,377	6,481	104	(76)
Total Young People (Children's and Education Services)	**250,630**	**(106,056)**	**144,574**	**152,331**	**7,757**	**2,968**

Children's and Education Services - Financial Headlines

As at Period 9 there is a projected year end overspend of £7.757m which is an adverse movement of £2.968m since the last reporting period. The overall gross budget totals £250.630m with a net budget totalling £144.574m, on top of this the Directorate is responsible for £357.273m Dedicated Schools Grant (DSG). The underlying forecast overspend is as a result of higher placement costs for Looked After Children (LAC), a shortfall in the UASC grant for the numbers now being accommodated and an overspend on Home to School Transport. In terms of overall looked after children (LAC), excluding Unaccompanied Asylum-Seeking Children, volumes have fallen. The current UASC numbers is 46% higher than November 22 partially explained by c.70 children coming from dispersal hotels. The financial pressures being faced by the service are predominantly cost driven with significant increases in the costs of placements, which have been impacted by higher national demand, increased complexity of care and high inflation.

Key variances and changes since the last reporting period:

- **£5.398m LAC placement overspend** Overall LAC placement numbers are 70 below budget. Despite decreasing overall numbers of non UASC looked after children there have been increasing numbers of children placed in external residential placements, with 19 more external residential placements than budgeted. In 2023/24 48% of all LAC Placement budgets are spent on external residential compared to 36% in 2019/20, see graphic above. Placement sufficiency is an escalating national issue characterised with a lack of suitable placements, increasing numbers of children with complex needs and rising charges for residential places. To mitigate these pressures the Children's Services directorate have established monthly external residential clinics and a forward planning Residential Board, in addition to current governance arrangements, to support development of a more robust action plan for Our Children stepping down, to help reduce costs.

- The external residential placement budget is forecast to overspend £13.326m. £2.426m of this pressure is due to there being 104 placements, 19 placements higher than budgeted for; £10.900m of the overspend is due to the average external residential weekly cost being 47% higher than expected, explained by the above national challenges. This price increase has impacted on the achievement of the £3m Managing Demand saving.
- Fostering, Internal Residential and Contingency budget underspends amount to £7.929m which has off-set part of the external residential pressures outlined above.
- **£203k LAC placement services** overspend on staffing budgets in the Leaving Care Service and Fostering Service. Vacancies being filled by agency which is required to support a growing and stable workforce to ensure Fostering Caseworker caseloads remain at a safe and manageable level. There has been a favourable movement of £59k since the last reporting period due to delays in recruiting permanent staff.
  - **£0.841m Permanence and Leaving Care placement** overspends, overall leaving care placements numbers are 964, 59 below budget, however, supported accommodation unit costs have increase to 40% above the budgeted rate which has led to significant pressures. In addition to the permanence and leaving care placements there are currently 501 UASC and Care Leaver placements compared to a budget of 430.
  - **£314k Safeguarding Service overspend** This pressure mostly relates to agency overspends in Localities and Care 4 Children. The projection has reduced by £39k since the last reporting period due to delays in recruitment. The service is continuing to strengthen its recruitment and retention strategy to ensure increase permanency and stability across the service with planned reductions in agency personnel by December.
  - To manage down the financial impact of the pressures this year the Directorate has achieved mitigation plans amounting to £2.666m including the use of one-off grants and reserves where possible.
  - **£0.897m Education Services overspend** This is an increase of £135k from period 6. Home to School Transport (HTST) is forecast to overspend overall £1.039m. Higher transport operator costs due to increased routes of between 30 and 50 routes a month and a higher average cost (14%) than budget has led to overspend of £1.258m. This is partly offset mainly by spend on free travel passes of £119k.

Children's Services Dedicated Schools Grant - £4.401m overspend

DSG (Dedicated Schools Grant)	Gross Expenditure Budget	Gross Income Budget	Net Annual Budget	Net actual spend to date	Projected Outturn	Variance from Budget	Movement from Last Report
	£000	£000	£000	£000	£000	£000	£000
Schools Block	0		192,548	148,076	192,402	(146)	(156)
Central Services Block	0		3,824	3,521	3,990	166	161
High Needs Block	0		114,048	83,048	119,445	5,397	1,319
Early Years Block	0		41,616	27,020	40,601	(1,016)	(639)

Total	**1**	**-**	**352,037**	**261,665**	**356,438**	**4,401**	**685**
Transfer to Reserve	1,417		1,417		0	(1,417)	0
DSG 2023/24	**1,418**		**353,454**	**261,665**	**356,438**	**2,984**	**685**
Reserve Balance - deficit			0		1,417	1,417	0
Overall DSG position	**1,418**	**-**	**353,454**	**261,665**	**357,855**	**4,401**	**685**

*The DSG Budget is a ringfenced account and is not part of MCC's General Fund Budgets.

Dedicated School Grant (DSG) - Financial Headlines

- Period 9, in-year DSG is projecting an overspend of £2.984m. The overall DSG position is projecting £4.401m deficit (this includes £1.417m deficit brought forward from 2022/23).
- DSG in-year position has increased by £0.685m from period 6, mainly due to HNB Post 16 provision increasing by 22% from September to January, offset by underspends in Early Years.
- HNB overspend is forecast at £5.397m included in this are recovery actions to offset some of the overspend at £0.770m at this stage.
- In-year recovery is slipping due to length of time taken to drive through efficiencies, including stemming EHCP demand. Details regarding the new SEND Change Programme funding 2023/24 is still being clarified, including how that forms part of recovery initiatives.
- Early Years is underspending due to lower than budget allocation for universal funding to schools and PVI's
- In the North-west 77% of LAs have a DSG overspend. Manchester has been asked to lead on a SEND change programme as it has been recognised that it has developed areas of good practice.

Adult Social Care / Manchester Local Care Organisation - £3.686m overspend

Adult Social Care	Gross Expenditure Budget	Gross Income Budget	Net Annual Budget	Projected Outturn	Variance from Budget	Movement from Last Report
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Long Term Care:						
Older People/Physical Disability	85,560	(32,267)	53,292	59,285	5,992	944
Learning Disability	65,112	(5,506)	59,606	62,872	3,266	837
Mental Health	31,585	(5,887)	25,697	28,353	2,655	1,404
Disability Supported Accommodation Service	24,441	(3,304)	21,137	23,952	2,815	1,069
Investment funding	3,831		3,831	618	(3,213)	(599)

Subtotal	**210,529**	**(46,965)**	**163,564**	**175,079**	**11,516**	**3,655**
Short Term Care:						
Reablement/Short Term Intervention Team	11,690	(2,147)	9,543	9,197	(346)	(46)
Short Breaks/Respite/Day Centres/Neighbourhood Apartments	5,909	(305)	5,604	5,529	(75)	(78)
Equipment & Adaptations (inc TEC)	7,991	(2,324)	5,667	4,967	(700)	(181)
Carers/Voluntary Sector	4,232	(682)	3,550	3,665	115	17
Subtotal	**29,822**	**(5,457)**	**24,364**	**23,358**	**(1,006)**	**(288)**
Infrastructure and Back Office:						
Social Work Teams	22,810	(4,591)	18,219	17,360	(859)	160
Safeguarding/Emergency Duty	4,126	(1,089)	3,037	3,368	331	(37)
Brokerage/Care Home Teams	1,673	(159)	1,514	1,469	(45)	(35)
Management and support	17,932	(8,428)	9,504	3,254	(6,250)	(1,336)
Subtotal	**46,541**	**(14,267)**	**32,274**	**25,451**	**(6,823)**	**(1,248)**
Total ASC	**286,892**	**(66,689**	**220,203**	**223,889**	**3,686**	**2,119**

Adult Social Care - Financial Headlines

The forecast outturn to the end of December is an overspend of £3.686m, an increase of £2.119m from the last report.

The long term care budget is forecast to overspend by £11.516m. This reflects £14.728m of pressures, detailed below, offset by use of MSIF to support long term care £1.089m and following review of key assumptions, funding remaining for cost care uplifts of £2.124m.

- Older People / Physical Disability (£5.992m)
  - £4.464m within residential and nursing care due to client number changes (+32 increase on April), increased additional support costs, framework price pressure and £1.2m shortfall on client income;
  - £3.055m on homecare (growth in commissioned hours 16.6% on April and 121 increase in clients);
  - £1.342m of underspend on Older People adult placements and supported accommodation; and
  - £0.185m of other variations.
- Learning disability (£3.266m) – primarily increased clients in supported accommodation (17 increase since April), increased complexity, and new starters in residential and nursing with increased costs compared to leavers;
- Mental health (£2.655m) – increase of 33 clients since April, primarily from increased residential clients (+10), and +17 in supported accommodation;
- DSAS (£2.815m in total) - £2.455m reflecting increased placements in-house, use of agency to support client needs and backdated 2022-23 agency costs; £576k increased adult placements, offset by a £217k underspend on shared lives;
- The £5.5m demand management saving has been applied to the long term care budget and is also a key factor in explaining variations. Progress being made on focused reviews, the impact of D2A and the short term offer is out paced by increased demand.

Short term care: employee underspends within services within short term care (£1.006m).

Infrastructure and Back Office: The position on long term care is also offset by Social Work teams (£0.859m), back office and support services (£0.746m), slippage on the £3m investment programme (£1.340m), £1.225m funding released through reshaping the Adult Discharge Fund, Emergency winter funds (£0.504m) and Cash Limit funding for D2A and planned use of reserves (£2m). There is a pressure within safeguarding (£0.332m).

Other Matters: The 2023/24 Market Sustainability and Improvement Fund (MSIF) Workforce grant £4.055m) is now allocated. £1.7m has been distributed directly to providers in line with the required aim of supporting fee uplifts to providers; £1.1m is deployed to support specific residential and nursing capacity and cost pressures in the sector, such as additional one to one support and assessed needs top-ups; £0.250m will support social work capacity for winter 2023/24, and the balance is supporting the overall long term care budget.

The Better Outcomes Better Lives (BOBL) Board is overseeing all programmes of work aimed at prevent, reduce and delay care costs. The BOBL programme remains the primary source of reducing spend whilst also helping citizens to achieve independence and better life outcomes, by 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 care offer and improved commissioning practices.

At the end of March 2023 the number of clients in >65 residential and nursing placements was 698, whereas the number at period 9 is 721, with a number requiring additional 1-2-1 support. In addition to the increase in >65s, there is an additional 17 clients into external learning disability supported accommodation placements since outturn. Here, numbers have increased from 316 at outturn, to 333 at period 9. Some of these clients have transitioned from Children's Services on high-cost packages and further projected costs have been factored in based on joint analysis across children's and adults teams. Homecare commissioned hours are 15.2% up on the year (across all client groups) to date following a 14% increase in 2022/23.

Key considerations include:

- Almost full delivery of the £4.142m savings target through increasing the vacancy factor on all staffing budgets, releasing £2.275m from the ASC reserve to smooth savings in year and re-financing of assessment posts to the DFG. Work on the transport saving (£0.150m) is on-going;
- £14.694m of funding is fully deployed to support the care market with a notable increase in fees, which also start to move towards a 'fair cost of care'.
- The investment programme (£3.118m) agreed in the 2023/24 budget has been reviewed and based on recruitment timescales, it is now forecast that £1.700m will be spent in year with the balance supporting the overall financial position in year.

The key financial risks are:

- 2023/24 is the final year of the three-year BOBL savings programme with an agreed saving target of £8.977m to be delivered in 2023/24. £3.477m is achieved through prevent, reduce and delay approaches. The balance of £5.500m is to be delivered through specific additional demand management interventions. Work is on-going to set out financial impact and there is progress against the target. However, the increase in client numbers, the increase in average package costs (complexity and price) and notably the increase in homecare hours, is offsetting this;
- Work with Children's Services is ongoing and still has a forecast increase in transitions packages during this year with potential for significant cost transfer (all confirmed and agreed package costs have been included in the forecast);

- The financial position on Disability Services Accommodation Service DSAS (£2.455m overspend) detailed below, reflects the impact of the uplift in agency costs from 2022/23, recruitment slippage and continued high use of agency staff. A specific review on the DSAS forecast is underway to look at the current agency usage and recruitment position.
- There is significant work underway to fully programme manage the delivery of the proposed saving programme ahead of 2024/25.
- Winter 2023 is a key risk with significant care market supply issues and all new funding already built into the position.

Long Term Care

The forecast position at P9 is an overspend of £11.516m. The key variations have been outlined above.

Short Term Care

The forecast outturn position on short term care at P9 is an underspend of £1.007m, an increase in the underspend of £288k from period 6. This £1.007m breaks down as an underspend on Reablement of £242k, the Equipment and Adaptations Service of £678k and Day Centres of £165k, due to a time-lag in filling vacancies, offset by a pressure on short breaks of £87k and other minor variations. The Reablement forecast reflects the increased vacancy factor (as per budget plan) and significant recruitment into roles. The service is committed to filling all positions over the course of the year with the progress to date highlighted below. The Equipment and Adaptations Service forecast expects the £500k saving as per the budget plan will be achieved in full. The pressure on short breaks is coming from increased demand for the service.

There is an overspend on carers/voluntary sector of £115k. This reflects forecast spend on the money distributed to carers as being higher than 2022/23 levels of activity.

Infrastructure and Back Office

The forecast outturn position at P9 is an underspend of £6.823m. The underspend on social work teams is £0.859m, comprising £706k on the hospital teams, £331k on specialist learning disability teams and a pressure across the INTs of £179k. The underspend confirms the challenges in recruiting and retaining qualified social workers, but progress is positive with increases in applications coming forward.

Management and support have a forecast underspend of £6.250m with the following assumptions incorporated into the forecast:

- £2m from reserves to support the care market
- Slippage on the £3m investment programme of £1.340m
- £1.225m funding released through reshaping the Adult Discharge Fund, Emergency winter funding(£0.504m released), Community voices grant released (£0.380m) and Cash Limit funding for D2A
- £0.180m control room and other commissioning vacancies;
- An underspend on Business Support of £0.301m due to challenges across the recruitment market; and
- An underspend of £0.220m across back office and strategic management areas.

Public Health - £0.765m underspend

Public Health	Gross Expenditure Budget	Gross Income Budget	Net Annual Budget	Projected Outturn	Variance from Budget	Movement from Last Report
	£000	£000	£000	£000	£000	£000
Public Health Children's Services	4,570	0	4,570	4,570	-	-
Early Years- Health Visitors	11,164	0	11,164	11,164	-	-
Wellbeing	7,814	(2,246)	5,568	5,616	48	47
Sexual Health	10,042	(1,020)	9,022	8,940	(82)	20
Drugs and alcohol	12,487	(3,224)	9,263	9,242	(21)	(69)
Other	5,038	(4,187)	851	436	(415)	155
Public Health Core Staffing & Back office	3,852	(929)	2,923	2,628	(295)	41
Total Population Health	**54,967**	**(11,606)**	**43,361**	**42,596**	**(765)**	**194**

Public Health - Financial Headlines

- Public Health have a £0.765m forecast underspend at year end. This is a decrease in the underspend of £0.194m from period 6. Savings of £0.730m have been achieved in full.
- The children's services and health visitor budgets shown above reflect contracting arrangements with health partners and are forecast to spend to budget.
- Drugs and alcohol support budgets – spend to date and future commitments in line with contract values.
- Sexual health contracts have an underspend of £82k, reflecting additional income from partners for outreach work. All block contracts forecast to budget at this point in the year. Nationally and locally demand for these services is increasing and this will be closely monitored in the coming months, as activity data relating to the numbers accessing services is received.
- The service is reviewing bids from recent procurement processes and finalising funding agreements which will develop and embed the Making Manchester Fairer (MMF) programme. The MMF programme has a budget of £2.989m (reserves funded) and commitments of £2.1m. Most spend will be incurred in the final quarter of the year. Further updates on this will be provided to the MMF Board throughout the year. Spend incurred on the early Kickstarter schemes now stands at £600k. In addition to the above, work is progressing at pace to utilise the CHEM (Community Health Equity Funding) funding with £306k distributed to partner organisations to date. Demands for further funds will be met from the Public Health reserve subject to appropriate approvals.
- Negotiations with Health partners regarding 'Agenda for Change' health staff pay uplifts is on-going. Funding received by the ICB has now been confirmed with partners, but clarity regarding the full extent of any shortfall is still to be determined. This means there is a £0.700m risk regarding future commitments.

- Within the core staffing budgets there is an underspends of £0.075m due to vacant posts and the maximisation of external funding. The staffing forecast reflects specialist posts now included which were previously forecast as ICB funded.

Delivering in Neighbourhoods - £1.430m forecast overspend

Neighbourhoods	Gross Expenditure Budget	Gross Income Budget	Net Annual Budget	Projected Outturn	Variance from Budget	Movement from Last Report
	£000	£000	£000	£000	£000	£000
Compliance and Community Safety	17,068	(5,350)	11,718	11,204	(514)	51
Libraries, Galleries and Culture	14,387	(3,829)	10,558	10,670	112	65
Neighbourhood Area Teams	6,711	(431)	6,280	6,158	(122)	(12)
Neighbourhood Management and Directorate Support	1,408	(70)	1,338	1,366	28	28
Operations and Commissioning	92,791	(42,751)	50,040	51,162	1,122	(189)
Other Neighbourhood Services	1,349	(1,203)	146	146	0	0
Parks, Leisure, Events and Youth	22,354	(13,008)	9,346	10,341	995	65
Homelessness	76,397	(44,404)	31,993	31,993	0	0
SUB TOTAL	**232,465**	**(111,046)**	**121,419**	**123,040**	**1,621**	**8**
Highways	26,331	(7,706)	18,625	18,434	(191)	(133)
Operational Housing	2,111	(2,111)	0	0	0	0
SUMMARY TOTAL	**260,907**	**(120,863)**	**140,044**	**141,474**	**1,430**	**(125)**

Neighbourhoods - Financial Headlines

Neighbourhood Services – are currently forecasting a £1.430m overspend, this is a £125k improvement on the previously reported position. The overspend is mainly due to ongoing pressures in markets due to the reduced income from Christmas markets and a shortfall in income from off street parking. Plus increased costs in Parks, Leisure, and Youth due to loss of income whilst refurbishment is undertaken and increased costs because of step in arrangements. The pressures are partially offset by staffing underspends in Libraries, Compliance and Community safety and higher than forecast income in advertising, Highways and bereavements. Any vacant posts where start dates have not been confirmed are reflected as vacant for the remainder of the year.

- **Compliance and Community Safety** - £0.514m underspend is mainly due to net forecasted staffing underspends. The service has recently completed a service redesign, and recruitment is ongoing. Additional work has been undertaken around damp and mould which has been picked up by substantive roles resulting in a reduction in income, dedicated damp and mould posts have now been created and are in the process of recruitment.
- **Libraries, Galleries and Culture** – £112k overspend, budget pressures linked to County records where income recovered through fees is lower than the costs to run the service, work is ongoing to review the model to mitigate this pressure in future years.
- **Neighbourhood Area Teams** - £122k underspend, due to staffing vacancies in the Team, vacant posts where there is no named starter with confirmed start date have been reflected as vacant for the remainder of the financial year.
- **Operations and Commissioning** - £1.122m overspend – largely due to income shortfalls for Markets and a shortfall in income from Off Street Parking, offset by over achievement of income on Advertising and Other Business Units. £1.188m shortfall in Christmas Markets due to the unavailability of Albert Square and the lack of alternative sites in the City. The losses due to closure are time limited.
  - Advertising over achievement of income of £304k, due to an annual inflationary uplift that was higher than what was reflected in the budget and increased revenue share, based on the annual performance of each site.
  - Other Business Units £351k underspend linked to higher than forecast income in bereavement Services of £225k as well as an underspend of £106k due to vacancies in Pest Control
  - Wholesale, Retail & City Centre Markets, £211k underachievement of income, the main pressures are, markets not achieving the forecast income (£134k) because of ongoing lower footfalls post Covid, exacerbated by the ongoing cost of living crisis and economic uncertainty, Sunday Market Car Boot (£51k) and Church Street (£26k), at Church Street 4 of the 11 units are vacant, these units will not be filled due to the intention to redevelop the market site, with traders offered alternative trading space.
  - Off St Parking – £425k overspend. The income in the third quarter of the year was below the profiled budget which has increased the projected overspend position by £60k since last reported. There has been a reduction in the number of users directly impacting on income particularly in the larger multi storey car parks. Work is being undertaken to review the impact of the Early Bird Offer on projected income, and volume of users in our multi storey car parks, particularly following infrastructure changes across the city to reduce volume of traffic in the Centre.
  - Waste - £88k overspend, linked to the additional cleaning on sites which sit outside of the Biffa contract.
  - The workforce underspend in Grounds Maintenance is being offset using contractors and the forecast position at year end is breakeven.
- **Parks, Leisure, Events and Youth** - £0.995m overspend due to £0.793m Leisure overspend from income losses at the Manchester Aquatic Centre (MAC) car park and Abraham Moss (both of which had been closed and undergoing major refurbishment, but have now reopened), along with the additional costs of financial support to the operators of Broadway Leisure Centre. 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 now that the facilities have reopened. Further work is required to understand the full effect of the pandemic and ongoing cost of living crisis on the usage of both centres.
  - Parks is forecast to overspend by £47k due to additional compensation claims.

- Youth Services is forecasted to overspend by £202k due to additional costs of support for Wythenshawe Active Lifestyle Centre where MCC have stepped in to provide additional support to maintain provision at the site.

- **Highways -** £191k underspend due to over achievement of income from street permits and other income in Network Management. The £0.871m workforce underspend has been reinvested into the highway capital programme.
- **Operational Housing** – although this is a net nil to Neighbourhoods mainstream budgets there is a pressure on the Equans repairs and maintenance contract which is covered in the HRA report below.
- **Homelessness** - The forecast outturn is showing a breakeven position, however there are significant underlying pressures on Temporary Accommodation being offset through the utilisation of time limited external funding contributions, conversations are ongoing with DLUHC in an attempt to secure additional funding linked to the underfunding of the Homelessness Prevention Grant to support those remaining in their own properties in the Private Rented Sector and to avoid them needing to access Temporary Accommodation. Discussions are also covering the issue of New Burdens caused by Asylum Dispersal. Considerable work has been undertaken to reduce the number of families in B&B and work is ongoing to understand the long-term resources required to support this position and to ensure that residents are supported in their own homes and do not require Temporary Accommodation. The work to reduce the numbers in B&B accommodation contrasts with other LAs where Temporary Accommodation numbers overall are increasing to levels not seen previously and reflects the considerable amount of work has been undertaken in the Directorate to reduce the numbers in B&B accommodation.

Housing delivery and Housing Revenue Account (HRA)

HRA	Gross Expenditure Budget	Gross Income Budget	Net Annual Budget	Net actual spend to date	Projected Outturn	Variance from Budget	Movement from Last Report
	£000	£000	£000	£000	£000	£000	£000
Housing Rents	0	(67,556)	(67,556)	(45,838)	(67,504)	52	142
Heating Income	0	(1,736)	(1,736)	(506)	(1,183)	553	(161)
PFI Credit	0	(23,374)	(23,374)	(11,687)	(23,374)	0	0
Other Income	0	(2,037)	(2,037)	(855)	(3,897)	(1,860)	(1,314)
Funding from General/MRR Reserves	0	(22,808)	(22,808)	0	(10,928)	11,880	0
Total Income	0	(117,511)	(117,511)	(58,886)	(106,886)	10,625	(1,333)
Operational Housing R&M & Management Fee	31,620	0	31,620	27,184	40,384	8,764	2,433
PFI Contractor Payments	34,212	0	34,212	24,126	34,137	(75)	89
Communal Heating	2,889	0	2,889	985	1,851	(1,038)	258
Supervision and Management	8,929	0	8,929	4,566	6,842	(2,087)	(52)
Contribution to Bad Debts	679	0	679	0	600	(79)	(79)
Depreciation	23,620	0	23,620	0	23,620	0	0

Other Expenditure	980	0	980	353	844	(136)	(101)
RCCO	11,880	0	11,880	0	0	(11,880)	0
Interest Payable and similar charges	2,702	0	2,702	0	2,702	0	0
Total Expenditure	**117,511**	**0**	**117,511**	**57,214**	**110,980**	**(6,531)**	**2,548**
Total HRA	**117,511**	**(117,511)**	**0**	**(1,672)**	**4,094**	**4,094**	**1,215**

	Opening Balance	Budgeted Adjustment	Forecast Closing Balance	Funding of forecast overspend	Revised Forecast Closing Balance
Movement in General/MRR Reserves	67,927	(22,808)	45,119	(4,094)	55,653

Housing Revenue Account - Financial Headlines

The approved 2023/24 HRA budget is a gross £117m and this includes £35.5m contribution towards the £60.4m capital programme. The HRA is currently forecasting an overspend of £4.094m. This is an adverse change of £1.215m since P6. The overall £4.094m overspend is made up of:

Overspends of £9.369m:

- The management and maintenance costs have an overspend of £8.764m. This is due to £8.063m higher than budget repairs and maintenance costs, including projected overspends on the Equans contract of £5.746m. This is because of staffing overspends, and additional works in respect of damp and mould and fire risk assessments and contract inflation being higher than budget. Non Equans associated maintenance costs are currently forecast to be around £2.317m above budget, this is mainly due to the increased number of disrepair claims. There is also a £365k overspend in management costs and £336k relating to Intensive Housing Charges which is an addition to the HRA budget.
- Communal Heating income reduction of £0.553m. This is offset by a reduction in the forecast gas costs (detailed below). However, the net effect of not sufficiently increasing the charges for heating schemes is a £0.668m cost to the HRA.
- Reduction in rent income of £52k. Void levels have increased over the past few months. The current cumulative level is 1.13% against a budget of 1%. Void levels in Housing Services are 1.44% for period 9. The forecast loss of income due to voids is partially offset due to a reduced number of right to buy sales.

Offset by Underspends of £5.275m:

- Other Income is anticipated to be £1.860m higher than budget because of the interest received on balances, due to the increase in the interest rates which is projected to continue for the year. This figure has been revised upward since P6.
- PFI contractor payments – whilst the inflationary uplift was higher than allowed for in the budget, this has now been offset by reduced expenditure because of contract variations. The PFI payments are forecast to be £75k less then budget.

- Additional budget was provided for Communal Heating in 2023/24 because of the significant increase in energy costs during 2022/23. As a result of falling gas prices during 2023/24 the communal heating schemes costs are £1.038m lower than the increased budget – a review has been undertaken of the gas prices to tenants and new tariffs from the beginning of January have been applied.
- Supervision and Management budgets originally included c.£2.089m for PFI Sprinkler works, but these have now been allowed for within the capital programme, so the budget is not required in 2023/24. Other variances include a net increase of £2k due to changes for residential building safety work and rightsizing incentives, offset by a reduction in the Housing Support Fund requirement plus vacant posts and a reduction in staff recharges into the HRA and a reduction in the support charges for the QL System.
- Reduction in the Bad Debt Provision Requirement of £79k. Budgeted 1% bad debt provision for rents is slightly high compared to the current requirement, plus there is a reduction in the Account Receivable requirement following analysis of the Period 9 Aged Debt Report.
- Other expenditure shows a reduction of £136k due to a revision in the forecast for compensation, self-insurance costs.

Adjustment to Reserves Drawdown and Revenue Contribution to Capital:

- The reduction in the capital programme forecast outturn means that the budgeted £11.88m of revenue contribution to capital outlay (RCCO) is not required. This was to be funded in part from a transfer in of revenue reserves of £22.808m as set out in the start budget. The £11.88m is no longer required so there is a corresponding reduction in the draw down from reserves by £11.88m, to £10.928m, to net off the reduction in contribution to capital.

Growth and Development – £1.527m Forecast Underspend

Growth & Development	Gross Expenditure Budget	Gross Income Budget	Net Annual Budget	Projected Outturn	Variance from Budget	Movement from Last Report
	£000	£000	£000	£000	£000	£000
Investment Estate	7,890	(23,333)	(15,443)	(15,520)	(77)	259
Manchester Creative Digital Assets Ltd (MCDA)	362	(1,609)	(1,247)	(764)	483	(17)
Growth & Development	312	0	312	312	0	0
City Centre Regeneration	2,393	(411)	1,982	1,562	(420)	93
Strategic Housing	3,279	(2,317)	962	678	(284)	(71)
Major Regeneration	1,535	(960)	575	496	(79)	(7)
Planning	4,787	(4,873)	(86)	(1,281)	(1,195)	(484)
Building Control	1,339	(1,162)	177	249	72	(77)
Licensing	3,105	(3,796)	(691)	(655)	36	(23)
Work & Skills	2,070	(67)	2,003	1,940	(63)	0
Manchester Adult Education Service (MAES)	9,274	(9,274)	0	0	0	0
Our Town Hall Project	2,214	(2,214)	0	0	0	0
Total Growth & Development	**38,560**	**(50,016)**	**(11,456)**	**(12,983)**	**(1,527)**	**(327)**

Growth and Development - Financial Headlines

- **Investment Estate – £77k underspend –** Whilst the overall investment estate continues to perform well, there are a small number of assets that are not achieving budgeted income, these include Arndale Centre (£177k) and Royal Mills (£203k). In addition we have a number of assets that are being vacant or being held pending redevelopment and we are incurring costs around security and other holding costs, these include the former computer centre in Wythenshawe (£139k) and the former Central Park retail site (£138k). These are offset by higher than forecast income across other assets including car parks, (£288k), for Manchester Central (£282k), let land (£169k), Piccadilly Triangle (£62k), residential ground rents (£94k) and Heron House (£264k).
- Within the overall Investment estate there have been additional costs in respect of additional valuation charges £263k, and other costs around project activity £378k.
- **MCDA (Manchester Creative Digital Assets) – £0.483m overspend –** This is mainly due to lower than forecast income at Space Studios due to reduced filming activity because of the recent actors and screenwriters strike in America. The strikes have now finished, and filming has commenced again. Agents are engaged to continue marketing any vacant units, particularly Arbeta.

- **City Centre Regeneration - £0.320m underspend** – The underspend is largely due to staff savings from vacant posts, the movement since the last report is due to increased costs of commissioned support for various projects including EV charging infrastructure.
- **Strategic Housing - £284k underspend** – There are a number of ongoing vacancies within the service which are not forecast to be filled until the new financial year, and the main change since the last report is due to additional funding for the Zero Carbon Team.
- **Major Regeneration** are forecasting an underspend of **£79k** due to vacant positions that will not be recruited for this financial year.
- **Planning - £1.195m underspend** – the service is funded wholly from planning fee income, the forecast underspend is due to the ongoing buoyant development market in Manchester and the higher than forecast planning fee income. The Government announced an increase in planning fees that was effective from December 2023, and the impact of the increased fees is being closely monitored in the final quarter of the year.
- **Building Control** – **£72k overspend** the period 9 position has improved as staff have been able to undertake more fee-earning work during the second half of the year. The overall overspend is due to lower than forecast income due to a focus on statutory work which is non-fee earning.
- **Licensing - £39k overspend** because of reduced fee income from Premises Licensing.
- **Work and Skills - £63k underspend** due to a combination of staff savings because of vacant posts and savings against project activity. The team are reviewing the in year project activity and additional activity could reduce the underspend if activity can be developed and implemented in the current financial year.
- **MAES –** Is 100% grant funded with funding being based on learning outcomes, in the current year grant income is c£75k higher than budget and this has been used to fund forecast pay awards and increased running costs of the service. It is forecast that the MAES ringfenced reserve will have a balance of c£1.153m at year end.

Corporate Core

Corporate Core - £1.163m forecast underspend

Chief Executives	Gross Expenditure Budget	Gross Income Budget	Net Annual Budget	Projected Outturn	Variance from Budget	Movement from Last Report
	£000	£000	£000	£000	£000	£000
Coroners and Registrars	3,920	(1,426)	2,494	1,994	(500)	(300)
Elections	1,513	(363)	1,150	1,150	-	-
Legal Services	19,071	(8,082)	10,989	11,240	251	(153)
Communications	4,566	(1,014)	3,552	3,510	(42)	-
Executive	1,083	0	1,083	1,068	(15)	-
Legal, Comms, Democratic and Statutory Sub Total	30,153	(10,885)	19,268	18,962	(306)	(453)
Policy, Performance and Reform	19,695	(2,463)	17,232	17,082	(130)	(60)
Corporate Items	1,345	(130)	1,215	1,215	-	-
Chief Executives Total	**51,193**	**(13,478)**	**37,715**	**37,259**	**(456)**	**(513)**

Corporate Services	Gross Expenditure Budget	Gross Income Budget	Net Annual Budget	Projected Outturn	Variance from Budget	Movement from Last Report
	£000	£000	£000	£000	£000	£000
Finance, Procurement and Commercial Governance	10,931	(2,361)	8,570	8,573	3	-
Customer Services and Transactions	231,471	(202,968)	28,503	28,360	(143)	(98)
ICT	16,868	0	16,868	16,868	-	-
Human Resources/ Organisational Development (HR/OD).	6,317	(850)	5,467	5,447	(20)	(20)
Audit, Risk and Resilience	1,969	(183)	1,786	1,564	(222)	-
Capital Programmes, Operational Property and Facilities Management	26,999	(4,944)	22,055	21,730	(325)	(175)
Corporate Services Total	**294,555**	**(211,306)**	**83,249**	**82,542**	**(707)**	**(293)**
Total Corporate Core	**345,748**	**(224,784)**	**120,964**	**119,799**	**(1,163)**	**(806)**

Corporate Core - Financial Headlines

Corporate Core is projected to be £1.163m underspent a movement of £0.806m from last reported and the key variances relate to: -

- Coroners and Registrars £0.5m underspend due to the projected overachievement of income of £223k, mainly in relation to increased numbers of weddings and citizenship ceremonies, a reduction in statutory coroner costs of £300k reduced by £23k staffing pressures within Coroners.
- Elections £0.6m previously reported overspend we are requesting approval to fund this from contingency if the settlement from government is insufficient.
- Legal Services £251k overspend, mainly due to reduced external income due to a reduced level of service provision to Salford Council £89k, reduced internal income in Regeneration £230k, Neighbourhoods £60k and externalising Children's services legal work £289k, additional contract costs £89k which is partly reduced by £0.506m underspend on employee budgets as the service has faced challenges recruiting to vacancies. It also includes £1m overspend in relation to children's services legal costs which has been funded by a transfer from reserves in 2023/24 as approved by Executive on the 22 July 2022. The service has commenced its plan around a recruitment drive to reduce external costs and fill vacancies to mitigate this going forward.
- City Policy, Performance and Reform & Innovation £150k underspend - there is reduced income on project activity £134k as there has been a loss of European funding and access to other funding does not cover our staffing costs at 100% and an overspend on running costs of £22k mainly due to licenses. This is offset by employee underspends of £306k due to vacancies.

- Finance, Procurement and Commercial Governance £3k overspend due to £290k increase in external audit fees £166k in supplies and services reduced by staffing underspends of £453k.
- Customer Services and transactions £143k underspend due to £118k staffing underspend and £45k over achieved income from clamping vehicles across the city which are illegally parked. This income does not fall under the Traffic Management Regulation Act and is therefore un-ringfenced income. This is slightly reduced by £20k on supplies and services
- Audit, Risk and Resilience £222k underspend due to underspend on employee budgets including the workplace adjustment hub. The plan for the workplace adjustment hub has been approved and recruitment is underway, the underspend is a result of the timing of the recruitment
- Capital Programmes, Operational Property and Facilities Management £325k underspend. There is £429k underspend on employee budgets offset by pressures in Facilities Management mainly Lloyd Street toilets.

Directorate Savings Achievement - £25.2m target

The savings target is made up of:

- Savings agreed for 2023/24 as part of prior year's budget setting £9.781m
- Savings agreed for 2023/24 as part of the 2023/24 Budget setting process total £15.396m

	Agreed in Prior years	2023/24 Budget Setting	Total 2023/24 Savings	Green - (Achieved & Mitigated)	Amber	Red
	£000	£000	£000	£000	£000	£000
Adult Social Care	8,977	4,142	**13,119**	7,469	150	5,500
Children's Services	100	4,411	**4,511**	1,464	47	3,000
Corporate Core	304	3,365	**3,669**	3,669	0	0
Growth and Development	300	959	**1,259**	1,259	0	0
Homelessness	0	1,244	**1,244**	0	1,244	0
Public Health	0	730	**730**	730	0	0
Neighbourhoods	100	545	**645**	558	87	0
Total Budget Savings	**9,781**	**15,396**	**25,177**	**15,149**	**1,528**	**8,500**

Savings – Financial Headlines (£25.177m)

£8.500m of this is considered high risk on non-achievement. This relates to:

- Children's £3m from reducing demand in Looked After Children services. There is considerable pressure on External Placement costs as set out earlier in this report.
- Adults - 2023/24 is the final year of the three-year BOBL savings programme with an agreed saving target of £8.977m to be delivered in 2023/24. £3.477m is achieved through prevent, reduce and delay approaches. The balance of £5.500m is to be delivered through specific additional demand management interventions which are currently assessed as high risk

£1.528m are considered Medium Risk of non-achievement as follows:

- Children's Mockingbird £47k - The Mockingbird programme is an innovative method of delivering foster care using an extended family model which provides sleepovers, peer support, regular joint planning and training, and social activities. The Directorate is implementing the new model and it is expected the new approach will provide saving mid-year.
- Adults and Social Care £150k - a review of how clients who attend day services travel to the centres is underway, with alternatives being modelled. The review will not conclude until later in the year. There will be consideration of the eligibility criteria, charges and travel training opportunities
- Neighbourhoods - £87k due to delays in implementation of changes to parking charges at Heaton Park, the changes require a Traffic Regulation order and therefore approved savings are likely to be part year only in 2023/24, These will be mitigated across Neighbourhoods.
- Homelessness - £1.244m, the savings target for Homelessness was set when the service faced an underlying overspend of c£10m at year end 2022/23. Whilst all endeavours will be made to deliver a balanced budget there are significant risks around the Homelessness budgets with the Cost-of-Living Crisis and the pressures faced in the Housing Market in Manchester. There is also considerable uncertainty around the Resettlement funding schemes and conversations are ongoing with the Home Office and DLUHC to understand the financial position in Manchester relating to these three schemes, Afghan Resettlement, Homes for Ukraine and Asylum Dispersal

Manchester City Council
Report for Resolution

Report to: Executive – 14 February 2024

Subject: Capital Programme Monitoring P9 2023/24

Report of: The Deputy Chief Executive and City Treasurer

Summary

This report informs members of:

(a) Progress against the delivery of the 2023/24 capital programme to the end of December 2023.

(b)

(c) The latest forecast of capital expenditure and the major variances since the Capital Programme Monitoring report submitted in November 2023.

(d) The proposed financing of capital expenditure for 2023/24 and affordability of the Capital Programme.

Recommendations

Executive 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 2023/24 for Manchester City Council is £403.5m compared to the current approved budget of £506.4m. Spend as of 31st December 2023 was £226.0m. The £940.4m 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 15th February 2023 – Capital Strategy and Budget 2023/24 to 2025/26.
- Report to the Executive 22nd March 2023 – Capital Programme Update Report
- Report to the Executive 31st May 2023 – Capital Programme Update Report
- Report to the Executive 28th June 2023 - Capital Programme Outturn 2022/23
- Report to the Executive 13th September – Capital Programme Monitoring (P4)
- Report to the Executive 15th November– Capital Programme Monitoring (P6)

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 2023, 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.

1.2 Attached to the report are the following appendices:

Appendix A – An update on the major projects within the capital programme.
Appendix B – Details of other material variations in the programme in 2023/24.
Appendix C – Changes to capital budget since the P6 report to Executive in November.
Appendix D – Prudential Indicators as at December 2023.

2. Capital Programme Forecast 2023/24

2.1 The latest forecast of expenditure for the Council's Capital Programme in 2023/24 is shown in the table below. The main variances relate to Our Town Hall Refurbishment, This City Housing Delivery Vehicle, Public Sector Housing Programme, Social Housing Decarbonisation Fund, Asset Management Programme, Back of Ancoats Mobility Hub and Public Realm and Varley Street SEND Secondary School. These variances mostly relate to timing differences meaning reprofiling will be required.

Manchester City Council Programme	2023/24				
	Current Budget	Forecast at P9	Variance to current budget		Spend to Date
	£'m				£'m
Highways	45.2	40.7	-4.5		25.9
Neighbourhoods	47.6	42.3	-5.3		20.8
The Factory International and St John's Public Realm	54.4	54.4	0.0		41.2
Growth and Development	111.0	96.2	-14.8		46.3
Our Town Hall Refurbishment	79.7	63.8	-15.9		39.8
Housing – General Fund	43.3	28.6	-14.7		13.7
Housing – Housing	73.6	40.3	-33.3		22.1

Manchester City Council Programme	2023/24				
	Current Budget	Forecast at P9	Variance to current budget		Spend to Date
	£'m				£'m
Revenue Account					
Children's Services	41.4	29.4	-12.1		14.1
ICT	5.2	2.7	-2.5		1.1
Corporate Services	4.3	4.4	0.1		1.0
Total (exc. contingent budgets)	**505.8**	**402.8**	**-102.9**		**226.0**
Contingent Budgets	0.6	0.6	0.0		0.0
Total	**506.4**	**403.5**	**-102.9**		**226.0**

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

Manchester City Council Programme	2023 /24	2024 /25	2025 /26	2026 /27	2027/ 28	2028/ 29	Total All Years	All Years Variance to Current Budget
	£'m							
Highways	40.7	21.8	5.5	3.9	0.0	0.0	71.9	-0.2
Neighbourhoods	42.3	13.8	2.8	0.0	0.0	0.0	58.9	-0.1
The Factory International and St John's Public Realm	54.4	0.0	0.0	0.0	0.0	0.0	54.4	0.0
Growth and Development	96.2	78.8	12.5	0.0	0.0	0.0	187.6	-0.5
Town Hall Refurbishment	63.8	84.5	22.5	0.0	0.0	0.0	170.8	0.0
Housing – General Fund	28.6	53.4	15.2	0.0	0.0	0.0	97.3	-0.9
Housing – Housing Revenue Account	40.3	55.8	37.2	20.6	6.9	4.7	165.5	0.8
Children's Services	29.4	35.2	1.4	0.0	0.0	0.0	65.9	0.0
ICT	2.7	2.9	0.0	0.0	0.0	0.0	5.6	0.0
Corporate Services	4.4	0.5	0.5	0.0	0.0	0.0	5.4	0.1
Total (exc. Contingent budgets)	**402.8**	**346.8**	**97.7**	**24.5**	**6.9**	**4.7**	**883.3**	**-0.8**

Manchester City Council Programme		2023 /24	2024 /25	2025 /26	2026 /27	2027/ 28	2028/ 29	Total All Years	All Years Variance to Current Budget
		£'m							
Contingent Budgets		0.6	24.6	31.0	0.0	0.0	0.0	56.3	0.0
Total		**403.5**	**371.4**	**128.7**	**24.5**	**6.9**	**4.7**	**939.6**	**-0.8**

2.3 The report shows an overall underspend of £0.8m against the programme.

2.4 There are a number of projects which are currently forecast to require reprofiling over years. Budget amendments will be made as part of the Outturn report.

2.5 A more focussed look at the top 10 projects is provided in Appendix A. These projects cover 49% of the total programme. Appendix B provides details of any other material changes relating to other parts of the programme.

2.6 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, and the budget for inflationary 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.

3. Capital Resources

3.1 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 when making capital financing decisions.

	Draft Funding 2023/24 £m	Draft Funding 2024/25 £m	Draft Funding 2025/26 £m	Draft Funding 2026/27 £m	Draft Funding All Years £m
Grants	119.6	84.9	37.5	0.0	242.1
Contributions	20.9	21.9	2.6	3.9	49.3
Capital Receipts	39.1	53.2	18.4	0.0	110.7
Revenue Contributions to Capital	24.1	39.4	32.4	20.6	116.5
Capital Fund	4.6	1.0	1.3	0.0	6.9
Borrowing	195.2	170.9	36.5	0.0	402.6
Total	**403.5**	**371.4**	**128.7**	**24.5**	**928.1**

3.2 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 start to be drawn down to meet the costs associated with the borrowing in 2024/25. 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.

3.3 All capital financing decisions are made to maximise the resources available to the Council and fund in the most efficient way.

3.4 The Council will not dispose of land at sub-optimal prices, and this can mean that the timing of capital receipts can be changeable. During this financial year some receipts have not progressed as expected, and therefore the expected receipts will be re-profiled into future years. Where land is not sold it will remain an asset on the Council's balance sheet. It is important to state that if the disposal of land has been delayed it does has not resulted in a diminution in value of the assets the Council is disposing of, and in general the in-year disposals are at, or ahead of, the projected receipts.

3.5 The current forecasts for the Council's Prudential indicators, compared to those included in budget reports to Executive and Council, are shown at Appendix D.

4. General Programme Risks

4.1 Inflation in the UK in the 12 months to December 2023, as measured through CPI, is currently 4.0%, which was 0.1% higher than November 2023, but down from a recent peak of 11.1% in October 2022. This is the first time the rate has increased since February 2023, and the figure remains relatively elevated.

4.2 The December 2023 statistics of building materials and components from the Department for Business and Trade (formerly BEIS) noted that the price index for all construction works was 2.3% lower than the same month the previous year. As previously reported, some prices have started to come down from their elevated levels with some significant price decreases for example concrete reinforcing bars (-24.4%), Gravel, sand, clays & kaolin (including aggregate levy) (-12.4%), and fabricated structural steel (-22.0%). This figure does however include price increases for some construction materials, such as metal doors and windows (17.5%), pipes and fittings (flexible) (23.8%) and ready-mixed concrete (14.6%).

4.3 It has previously been reported that many projects in the capital programme have faced an extremely challenging 2-year period with intense pressures on cost due to extraordinary levels of inflation and unprecedented pressure on the supply chain (labour and materials availability). These pressures continue to be seen and remain a significant risk across the capital programme.

4.4 Although inflation is falling, the impacts of a sustained inflationary period can still be seen in the construction sector. Annual average for all construction works remains 1.2% higher than the average from the previous year, and 20.5% higher than the average for 2021.

4.5 The impact of inflation on the capital programme will continue to be managed, monitored and reported to members. The unallocated inflation budget is currently £30.0m.

4.6 The capital budget is prepared on the best estimate of the start date and spend profile for each scheme, which is likely to change as the scheme develops. The project cash flow will be variable throughout the life of a project, and therefore the forecast expenditure in each financial year will also vary. This report therefore considers the total life and cost of schemes and the risks associated with their development. All projects carry risk such as delivery risk, third party risk and market risk, including build cost and inflation.

4.7 Where funding sources for the programme are time-limited, such as the Public Sector Decarbonisation Scheme, officers will continue to monitor progress against these schemes to seek to maximise the level of grant funding used.

5. Contributing to a Zero-Carbon City

5.1 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.

5.2 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. 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.

5.3 Carbon reduction continues to be a focal point for the 2023/24 capital programme, with projects such as Public Sector Decarbonisation scheme, the purchase of electric refuse vehicles and tree planting all continuing.

6. Social Value

6.1. 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.

7. Capital Programme Budget changes

7.1 The capital programme continues to be updated on a rolling basis throughout the financial year with new schemes brought forward through the Capital Approvals Process. Projects that have been brought forward for approval since the previous report to Executive can be found in the Capital Strategy 2024-25 elsewhere on the agenda. If approved, these projects will be added to the Capital budget and the latest forecast reported in the next monitoring report to Executive in June 2024.

7.2 Details of approvals from the last Executive report in November 2023 and approvals granted by the Deputy Chief Executive and City Treasurer under delegated powers since the last report to Executive can be found at Appendix C.

8. OFLOG and DLUHC statistics

8.1 In July the Office for Local Government (OFLOG) launched the Local Authority Data Explorer. This is an online tool which brings together a selection of existing metrics, aimed at providing data and analysis of the performance of local government.

8.2 Within the metrics there are two that relate to the impact of capital expenditure, specifically debt servicing costs as a percentage of core spending power, and total debt as a percentage of core spending power. The intention of these metrics is to compare an authority's debt and debt financing costs to its ability to repay them.

8.3 For both metrics Manchester is higher than the English median for similar authorities but is not an outlier. The debt levels and associated financing costs for the authority remain affordable and are closely monitored throughout the financial year.

8.4 Further, the Department of Levelling Up, Homes and Communities (DLUHC) have consulted on the statistics intended to be used for the four metrics included in the Levelling Up bill, which are aimed at identifying capital risk at an authority level DLUHC.

8.5 The outcome of the consultation, and the final statistics, will be reported to members once they are published.

9. 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.

10. Key Policies and Considerations

(a) Equal Opportunities

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

(b) Risk Management

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

(c) Legal Considerations

None.

Appendix A - Major Projects

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

Project	Current Budget 2023/24	Fore-cast at P9	In Year Vari-ance	Spend to date 2023/24	Total Budget (All Years)	Total Variance (All Years)
Our Town Hall Refurbishment	79.7	63.8	-15.9	39.8	335.4	0.0
Factory International and St John's Public Realm	54.4	54.4	0.0	41.2	261.1	0.0
Housing Infrastructure Fund (Victoria North)	13.3	16.0	2.7	6.7	51.2	0.0
This City Housing Delivery Vehicle	24.0	13.4	-10.6	4.6	48.1	0.0
Collyhurst*	13.1	7.9	7.9	5.9	47.7	0.0
Carbon Reduction Programme and Public Sector Decarbonisation Scheme	12.8	13.5	0.8	7.9	41.8	0.0
Back of Ancoats Mobility Hub and Public Realm	23.0	15.4	-7.6	9.7	38.7	0.0
Hammerstone Road Depot	14.9	14.9	0.0	12.9	35.2	0.0
Varley Street SEND School	14.0	3.2	-10.8	0.6	18.1	0.0
Campfields Redevelopment	6.9	10.9	4.0	2.3	17.5	0.0

*Public and Private Sector Housing

Our Town Hall Refurbishment

1.2 As has been previously reported, the age and scale of the building means that the discovery risk faced by the project is significant. Progress has been good and most of the discovery from the works on the roof is now complete. The remaining challenges are for the detailed design to support the M&E and the building to operate and this work is being completed. Due to the age of the building the original BIM model is not completely accurate. Whilst not unexpected this led to more detailed design changes than anticipated which are still being completed and has impacted on the sequencing of the programme. Once resolved the position on target dates for completion will then be clearer.

1.3 The report is due to report back to Resources and Governance Scrutiny Committee and this is now anticipated to be early in the new municipal year with the more detailed update on cost and programme. Any further budget approvals that may be necessary will also be sought at that stage.

1.4 The project now has contracts in place for £191.3m of works packages with 98% procurement cost surety expected to be achieved by February 2024.

1.5 The project continues to see good progress on site, with works reported in the period including the continuation of roof works and progress to the Albert Square Clock Tower and Cooper Street Tower. The Public Realm works continue with the next phase expected to be complete by March 24 with the early introduction of trees and totems (lighting structures that contain IT equipment) to the Square from January, and it is anticipated that the external scaffolding may start to come down this summer.

1.6 The project is reporting reprofiling of £15.9m which in the main relates to delays in construction specifically the mechanical, engineering and plumbing works referred to above.

Aviva Studios, Home of Factory International

1.7 Aviva Studios, Home of Factory International continues to welcome visitors for a wide range of events, performances and exhibitions since opening in October 2023. The venue is unlike any other arts venue in Europe and its opening is a landmark moment for culture in the UK.

1.8 As previously reported, there are some remaining works and snagging items that are being completed during the winter period. The final fit out works are also being completed with the work planned to include a quiet room, prayer room, and a space for the Factory Academy.

1.9 The public realm works are now complete, with minimal snagging works ongoing.

1.10 The commercial negotiations are ongoing, with Practical Completion expected to be in March 2024 and the final account settled in the summer.

Housing Infrastructure Fund (Victoria North)

1.11 The total budget for the Housing Infrastructure Fund (HIF) is £51.6m, and the project is currently due to complete in March 2024, under the terms of the Grant Determination Agreement with Homes England. HIF is funding a complex set of interrelated infrastructure works (land remediation, the expansion and reinforcement of the utility networks, the creation of new highways access and site preparation works) that will unlock a development platform for up to 5,500 homes in the Red Bank neighbourhood, which comprises a series of brownfield and under-utilised sites in the Lower Irk Valley, just to the north of Victoria Station - former heavily industrialised land.

1.12 The design team, working with the Environment Agency and Local Planning Authority managed to agree a satisfactory solution to dealing with unexpected contaminants that allows works to recommence on a phased basis. The contractor has completed the vegetation clearance and site preparation works, and some early remediation work, including the removal of the original railway sidings turntable. The project restarted the main works on site in January 2024.

1.13 Also, as previously reported, agreement in principle has been with Homes England for funding previously allocated from the "in river channel" flood defence works proposed for the River Irk to be moved to deliver infrastructure and enabling works that will ensure the viability of other residential development plots in the Red Bank masterplan. Work has been ongoing in the background with the project and design team to progress the designs for this ensure that titles are clear for redevelopment. Resolution to grant planning permission was approved in August 2023 with Planning Permission being granted on 18th December. The design team are working through the planning conditions, so that work can start on site in January 2024.

1.14 It is anticipated that the programme budget will require reprofiling as a revised programme and pricing is received from the contractor. Work is being managed to minimise the risk to the grant funding allocated to the scheme. This will be reported to Executive in future monitoring reports and the budget updated at the end of the financial year.

This City Housing Delivery Vehicle

1.15 The total current budget for This City Housing Delivery is £48.1m. There were two sites in the first phase of This City development, at different stages of design and development. Construction has started on This City – Rodney Street, with the site cleared, foundations completed for the two apartment blocks, and the superstructure in progress.

1.16 The forecast spend for 2023/24 is £11.5m, reflecting a re-profile of the scheme of around £12.5m. This is because start on site was later than originally envisaged, due to the need to review costs and finalise the delivery contract. However, This City – Rodney Street is currently forecasted to be delivered on time and on budget, completing in early 2025.

1.17 Work on site has progressed well, with the superstructure for one of the blocks at the second floor, and the floor slab for the second block being completed. The service trench for the site continues to progress, alongside primary drainage works. The superstructure and supporting infrastructure are expected to progress further in the coming months.

1.18 The project has been allocated Brownfield Land funding by the GMCA of £1.68m and so this funding will be used to replace borrowing of an equivalent value. The overall project budget will not change.

1.19 The business plan for This City has been reviewed to reflect the significant changes that have faced the market and was approved by the Programme Board and Board in October. 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 one developments to be brought forward with an investment partner.

Collyhurst

1.20 The budget for the first phase of the Collyhurst Programme is £37.9m, with construction of the scheme including 130 new Council homes expected to be complete in April 2026. The construction is progressing well, and although the contractor advises there is a slight delay in programme, they advise that the construction of the new Council homes on both sites will be complete in accordance with the original sectional completion dates. The project reported slippage of £4.7m in Period 6. There has been no change reported to the financial projections this period.

1.21 In Collyhurst Village, the timber frame construction is underway to the first block of Council houses and the ground beam concrete work is now complete to the main apartment block with steel frame erection due to commence. The main drainage works is now complete, with gullies and plot drainage works ongoing. In South Collyhurst, service diversion works have now allowed construction activity to recommence, with foundation works for the houses complete, drainage works nearing completion and the new roads constructed to formation level.

1.22 Confirmation of the Compulsory Purchase Order in Collyhurst Village has now been secured and discussions continue with the residents affected. Officers are liaising with the affected Council tenants in preparation for allocation of the new homes in the development, which will be completed on a sectional basis.

1.23 Separately to the Phase1 development, the demolition of the last block of maisonettes at Eastford Square is now complete. However, the relocation of the sculpture remains to be undertaken using a revised lifting plan. The cost and programme implications for the revised lifting/relocation methodology are currently being confirmed.

Carbon Reduction Programme including PSDS

1.24 The total current budget for the Carbon Reduction Programme and Public Sector Decarbonisation Fund (PSDS) is £45.5m and is forecast to budget.

1.25 The Council continues to progress works within the Carbon Reduction Programme in order to meet the target of being a zero-carbon city by 2038 at the latest, 12 years ahead of the Government's target for the UK of 2050.

1.26 The Council secured ERDF (European Regional Development funding) in 2021 to support the delivery of carbon reduction works at the National Cycling Centre. The works to deliver solar car ports at the site are now complete. Further to this, Public Sector Decarbonisation Scheme Phase 3(a) grant funded works are expected to complete by March 2024 which will deliver 518 tonnes of carbon savings per annum. The programme submitted a further bid for PSDS funding in phase 3(b) to deliver further carbon reduction works at Claremont Resource Centre. Procurement of the works is currently being arranged with works to be undertaken in 2024.

1.27 The Zero Carbon Estate Programme completed 72 energy audits of buildings within the Council's estate. Some of the audited buildings were identified as including low efficiency fluorescent lighting. The programme of work to replace the lights with efficient LED lighting will be undertaken in 2023/24 and is expected to reduce carbon emissions across 14 sites by 51 tonnes per annum.

1.28 Work continues on a strategy which includes additional surveys and data integration, to help provide insight for a 15-year pipeline of work to reach zero carbon for the estate by 2038, as well as the expected financial implications to support that pipeline.

1.29 In the interim, the next phase of carbon reduction works for 2024-25 has been brought forward for approval. As more of the energy savings schemes complete, future work is likely to be more focused on energy switching which involves more costly infrastructure being implemented with less opportunity for revenue savings. More information can be found about the future proposal in the Capital Strategy elsewhere on the agenda.

1.30 It is understood that there will be a significant funding requirement to reach our zero carbon commitment and as such any potential external funding options will be explored where possible, as well as any potential spend to save schemes where the Council can expect to see a reduction in running costs as a result of the works undertaken.

Back of Ancoats Mobility Hub and Public Realm

1.31 The total budget for the Mobility Hub and Public Realm is £38.0m. The project is expected to complete in 2025/26 and is forecast to budget.

1.32 The Ancoats Mobility Hub (AMH) and the associated public realm forms a critical part of the ongoing regeneration of Ancoats and the aspirations to be a cleaner, greener city. Housing developments in the area are unlikely to have dedicated parking and are therefore expected to use the Mobility Hub. The public realm is essential to create the desired environment for the planned 1,500 homes.

1.33 Works on site continue to progress with drainage works nearing completion, and the core walls of the Poland Street elevation now complete. The steel frame is progressing well with all main structural steelwork due to complete by February 2024. The first coordination meeting has been held with the Ancoats Green contractor.

1.34 In parallel, work is ongoing to establish the commercial operating model of the Mobility Hub and produce a business plan for Homes England, as required by the grant funding agreement. Procurement of an operator underway, with the route to procurement (RtP) process taking place over December and January and officers now evaluating the tenders submitted. It is anticipated that an operator will be formally appointed later in 2024.

1.35 As reported in September, and following works to the Mobility Hub commencing, the forecast cash flow for the scheme was reviewed and updated accordingly. A total of £7.6m will be reprofiled into next financial year, with the scheme still on programme and expected to complete in 2025/26.

Hammerstone Road Depot

1.36 Work continues to progress well on site, with MCC offices nearing completion, partitions complete and ceiling grid installed in the toilet and shower block. Further works including mist coating are nearing completion, joinery have completed circa 75% of door sets and architraves and commenced skirting. Works on the low-level car park are now complete and the car park is in operation.

1.37 Carbon Reduction works on site are progressing with materials ordered and fixings to the roof for the photovoltaic electricity generation system in progress. Rainwater harvesting is ongoing with the dig out and base layer of stone completed, and main drainage runs alongside of the Loco shed ongoing.

1.38 The contractor has exceeded their targets for the apprenticeship hours and meaningful work placements that pay the Real Working Wage. They have made progress with training opportunities, employment of long-term unemployed and local people hired through the supply chain.

1.39 Further to the submission of Planning approval for the updated external works scheme at the Depot which has been developed in consultation with key stakeholders, a budget increase has been requested for new lighting CCTV and EVC's to the upper car park, new drainage and increased parking spaces. More information can be found in the Capital Strategy elsewhere on the agenda.

1.40 Previous forecasts assumed reprofiling of spend would be necessary into 2024/25, however current forecasts indicate that due to good progress on site this will not be necessary.

Varley Street SEND Secondary School

1.41 This project will develop a new 150 place secondary SEND school for pupils aged 11-19 with an Education, Health, and Care Plan (EHCP). The accommodation will be designed to Department for Education (DfE) output specification with associated external facilities including space for outdoor education and staff parking. The total budget is £18.1m.

1.42 As with all new build schools, this provision will be designated as a free school and operated by a multi academy trust. Upon completion, the site will be subject to a 125-year lease to the trust who will be responsible for its operation and maintenance.

1.43 Early in the process the site was identified as having coal seams, with start date pushed back due to the approval of a remediation strategy from the Coal Board taking longer than originally anticipated before works can progress. Works started on site in December 2023 including site set up, following a further delay in obtaining mine grouting approval. This has been flagged as a risk due to inflation forecasts and timescales around opening. Expected completion is now April 2025 and this will be closely monitored. As a result, a total of £10.8m will be reprofiled into future years.

Campfield Redevelopment

1.44 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.

1.45 The Levelling Up grant funding which the Council was successful in securing for the project, 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. Castlefield House is being significantly redeveloped and extended as grow on space for new media and tech businesses.

1.46 Works to Phase 1 continue on programme, which include asbestos removal, scaffolding and temporary works and internal soft strip and mechanical, engineering, plumping and heating (MEHP) removals. Multiple specialist contractors have been appointed with prior experience in heritage and conservation works. Works are progressing better than expected and the latest programme of works shows a requirement to accelerate £4.0m in to 2023/24.

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Appendix B - Other material changes to the programme

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

Project	Current Budget 2023/24	Forecast at P9	In Year Variance	Spend to date 2023/24	Total Budget (All Years)	Total Variance (All Years)
£m						
Public Sector Housing Programme	30.2	14.0	-16.2	7.0	79.1	0.0
Social Housing Decarbonisation Fund Schemes	13.6	2.7	-10.9	0.6	49.7	0.0
Civic Quarter Heat Network	2.9	2.9	0.0	0.0	26.0	0.0
Asset Management Programme	16.1	7.2	-8.9	2.4	22.7	0.0
Home Upgrade Grant 2	5.4	1.4	-4.0	0	10.4	0.0
Galleries Collection Housing and Remediation works	8.4	4.0	-4.4	1.5	9.1	0.0
Northern/Eastern Gateway Walking and Cycling scheme	4.5	1.1	-3.4	0.7	8.9	0.0
Network Refresh Programme	4.1	1.8	-2.3	1.0	9.5	0.0
Disabled Facilities Grant	11.1	13.0	1.9	8.8	81.3	0.0
Shared Prosperity Fund - Communities and Place	2.5	0.8	-1.7	0.1	4.3	0.1
Piccadilly Gardens – Phase 1	2.1	0.5	-1.7	0.1	2.6	0.0

Public Sector Housing Programme

1.2 The Public Sector Housing Programme saw the majority of projects finishing at the end of March 2023 with a small number continuing delivery into early 2023/24. These on-going projects have been delivered to expected timelines, however, the new projects that were due to start on site in the remainder of 2023/24 have taken longer than expected to process through detailed design and procurement. This was further hindered by challenges in the marketplace including contractor availability and material lead times as well as meeting increased regulations for fire safety schemes.

1.3 Specific variances to the programme include; Clifford Lamb Remedial Works will deliver £0.3m less than expected due to an extended procurement process due to the challenges of sourcing a contractor for specialist work of this nature for an unforeseen project. Strategic Voids is expected to deliver £0.5m lower than expected as the extent of works required to properties is such that the design period is taking longer and the resulting procurement process for obtaining a suitable contractor extended. The retaining walls project is expected to underspend by £0.3m and the Decent Homes by £1.1m due to the internal award process for approving works not meeting the timelines within programme. The major lift replacement scheme will spend £0.9m less than planned due to extended design periods and longer procurement timelines. There are a number of final accounts for previous completed schemes which are being settled but through good due diligence the process is taking longer than expected which will result in less settlements by the end of the financial year up to a value of £1.7m less than expected. The major fire actions remediation project will deliver £1.8 million less than expected as a result of longer contract approval and mobilisation.

1.4 The cash flow forecast accuracy for new schemes is challenging within the housing capital programme, as it is dependent on completing design work, procurement and subsequent award of works which can take longer than planned due to the complex nature of schemes and challenges within the construction marketplace. There are improvements being introduced to address this within the management of projects; including procurement and contact approval better interconnected with project delivery, the enhanced integrity of timeline assumptions within project plans, managing organisational complexity more easily and operating on increased consistency and standardisation. As a result of the review of the Public Sector Housing Programme, a total of £16.2m will be reprofiled into future years.

Social Housing Decarbonisation Fund Schemes

1.5 The Social Housing Decarbonisation Fund (SHDF) programme relates mainly to energy improvement works and renewable heating technologies. This will improve the energy performance certificate (EPC) rating of Council properties and help meet the zero carbon housing objectives and targets, including a transition away from gas heating sources. Most of this work generates a grant contribution from the Department for Energy Security and Net Zero (DESNZ) via Greater Manchester Combined Authority (GMCA). There are other works included in the programme for most of the projects, consisting of various Decent Homes and Fire and Building Safety works.

1.6 Discussions have been held with GMCA in relation to a potential extension of the delivery timescales for our SHDF programme. This would require negotiation and agreement with DESNZ. GMCA are open to requesting an extension which provides for a completion of all the grant eligible works to March 2026. It has been agreed that we will conclude this discussion with

GMCA by the end of this financial year.

1.7 The forecast reflects a revised timetable and cost for the Social Housing Decarbonisation Fund programme, and there are also significant cost pressures. Following a review costs have increased by c. £10.5m as a result of building cost inflation, but there is also a need to undertake more detailed surveys on properties before work can commence. A budget increase request is included within the Capital Strategy elsewhere on the agenda. As noted above, the Council is working with the GMCA to seek approval to amend the completion dates and are reviewing the costs of each project to ensure value for money. Works to some properties will be considered when they next become empty to avoid having to decant tenants to complete the required investment and works to those homes.

1.8 The project has faced longer mobilisation timescales than anticipated which has meant start on site has been pushed back. Spend on pre-works activity has and will continue, but the majority of spend will now take place in the next financial year. The project team continue to work through issues arising as a result of surveys which also impacts on progress, and there are challenges in relation to the technical feasibility and potential costs of the works required to meet the SHDF grant requirements As a result, a total of £10.9m has been reprofiled into future years.

Civic Quarter Heat Network

1.9 The heat network assets were novated to the Council-owned company in early 2023 and continued to supply heat and power to Council buildings in the city centre. At the point of novation, a capital budget of c. £2.9m remained, to cover any final costs associated with the creation of the network as there were some matters for which the final accounts had yet to be agreed, and for potential future growth.

1.10 Officers have now completed a review of the outstanding issues and agreement reached with the contractor to settle all matters relating to the construction. It is proposed that £1.9m of the remaining capital budget be used for the settlement of construction matters. This leaves c. £1.0m in the capital budget.

1.11 Further, the delay in the Town Hall becoming an off-taker of power from the Heat Network due to the later opening date alongside the volatility in the energy markets since the novation means that the Network is running with very low cash balances and is under-capitalised. It is therefore proposed that the remaining capital budget after the settlement of construction costs, and a further £0.5m agreed by the Deputy Chief Executive and City Treasurer and Executive Member for Finance under delegated powers, be used to provide additional support to the Network in the form of shareholder loans, which will be repaid to the Council in the future.

Asset Management Programme

1.12 The Asset Management Programme (AMP) is the Council's annual, prioritised programme of capital replacement for operational property. The programme is citywide and includes libraries, galleries, family centres, offices, property in parks and cemeteries, leisure/cultural centres and landlord liabilities. The AMP budget for 2023/24 is £16.1m and includes a number of significant remediation and end of life replacement works to operational assets, heritage assets and landlord liabilities.

1.13 Good progress continues completing specialist surveys meeting statutory responsibilities including asbestos and fire risk, together with ensuring a co-ordinated and efficient approach in procuring works to meet Council priorities including zero carbon. Safety work arising from surveys is taking precedent with procurement of remediation works arising from this factored into the current year programme. Adjusting programmes to meet this has an impact on the current planned programme and budget. Additionally, external factors including supply chain, adjustments for inflation and the complex nature of the properties included in the budget are all impacting on progress in the current year. Priority during the last quarter of the year is focussed on completing the design and procurement of works included in the programme to meet as far as possible the forecast. As a result, a total of £8.9m will be reprofiled into next financial year.

Home Upgrade Grant 2

1.14 The Council has secured £10.4m Home Upgrade Grant 2 (HUG2) funding from Government and a memorandum of understanding (MoU) was signed in February 2023.

1.15 This funding, to be spent by the end of March 2025, provides grant to Local authorities for owner occupied and private rented sector properties. These are required to be off gas grid, with low energy performance (EPC D-G). Taking a fabric first approach, the grant provides energy efficiency and clean heating upgrades to improve energy performance of properties. The grant levels are between £3k and £24k, dependent on property archetypes and characteristics, and the EPC requirements are generally that F-G homes are upgraded to at least EPC D and EPC D-E homes upgraded to Band C. To be eligible private landlords need to have a portfolio of 4 or less properties.

1.16 Due to delays in recruitment of a dedicated project manager, along with procurement delays and mobilisation taking longer than expected, the contract commenced later than expected in November 2023. Therefore, delivery units originally forecast before Christmas were not completed and a change order is anticipated to allow work to commence in the New Year. Therefore, a total of £4.0m has been slipped into future years.

Galleries Collection Housing and Remediation Works

1.17 The Galleries Collection Housing programme involves essential safety and remediation works at Manchester 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.

1.18 The Queens Park Conservation Studios and Manchester Art Gallery (MAG) schemes are two separate schemes; however, due to an off-site storage facility lease, the two schemes have some interdependencies.

1.19 The Council has been successful in applying for a grant of £0.7m from Arts Council England under a scheme called MEND for provision of capital works to support capital works of this nature. The additional grant monies will be used to support the costs of building fabric repair works at Queens Park. A further bid for £0.1m grant funding for additional specialist storage furniture from Department of Culture, Media and Sport was also successful.

1.20 Works continue to progress, however as previously reported, a total of £3.5m will be reprofiled into 2024/25 as the contractor has provided a more accurate cash flow which reflects the timeframe of planned works following start on site.

Northern/Eastern Gateway Walking and Cycling Scheme

1.21 The Northern/Eastern Gateway project will deliver a continuous walking and cycling route, linking neighbourhoods in the north and east to the fringe of the city centre. Work continues with construction at Pollard Street to Redhill Street ongoing. A new tranche of funding has been approved to complete the construction of a new bridge over the Ashton Canal and two Cyclops junctions at junction of Rochdale Road/ Thompson Street and Oldham Road/Thompson Street with a segregated cycle lane along Thompson Street.

1.22 There is a requirement to reprofile £3.4m into next financial year, due to a delay in selecting a preferred contractor to deliver phase 2 works, however work is due to commence in February 2024. This has also resulted in reduced fees for this financial year. Phase 3 works will be tendered early in the New Year, with work due to start in May 2024.

Network Refresh Programme

1.23 The Wider Area Network (WAN) phase 2 project is in the discovery stage. The mapping of potential benefits, exploring risk around product availability and determining site suitability has required an extended discovery period.

1.24 The Perimeter Firewall project has been fully, and successfully, delivered and has now moved into closure stage. Staffing and third party costs are to be to be finalised and a closure report produced by the end of this financial year.

1.25 As previously reported, a total of £2.3m will be reprofiled into future years due to issues encountered during the Proof-of-Concept (POC) stage, the temporary environment used to demonstrate the functionality of the new solution before committing to the full-scale implementation, impacting on the project schedule. Supply chain issues due to the pandemic impacted hardware availability and timescales which had a knock-on effect to the ability to move onto the POC phase. Further issues encountered with the design and implementation of the POC environment have caused delays to the project.

DFG

1.26 Adaptations funded from Disabled Facilities Grant (DFG) are expected to outspend the original forecast for 2023/24. The cost of adaptations has increased in-line with significant building material and wage inflation. As well as this, there is a continued increase in demand due to an ageing population and a strategy to keep people in their own homes for as long as possible, as well as more applications from individuals with more complex needs. It is expected that these pressures will continue into 2024/25 and tight management of the available budget will be required. As a result, a total of £1.9m will be accelerated into this financial year.

Shared Prosperity Fund (SPF) – Communities and Place

1.27 The Shared Prosperity Fund (SPF) is a government funding stream intended to replace EU structural/regeneration funds. SPF funding is allocated under three investment priorities: Community and Place, Supporting Local Business; and People and Skills. The Council has been awarded £5m within the ‘Communities and Place’ (C&P) theme.

1.28 Across the Communities and Place projects, a total of £1.7m will be reprofiled into 2024/25. The reasons for this vary, but in a number of cases it has taken longer than anticipated to assemble the required professional teams, and/or to undertake early feasibility and design work. In relation to the two largest capital projects: i) the Withington public realm proposals have required further revision following extensive engagement with local businesses and community groups; ii) on Gorton Public Square, discussions with another party over the acquisition of the land required for the square are continuing, though contractor procurement has been run in parallel to this to avoid delay. Strict monitoring of all SPF projects will continue, to ensure projects are delivered by the March 2025 deadline.

Piccadilly Gardens – Phase 1

1.29 As previously reported, the design competition for Piccadilly Gardens – Phase 1 completed in early 2023/24. Negotiations are now ongoing regarding the extension of the appointment of the Design Architect to complete the concept design and to commence the tender exercise for a Design and Build contractor.

1.30 The current budget is to take the scheme to RIBA Stage 3 including submission of planning permission. It is envisaged that completion of RIBA Stage 2 will be achieved by March 2024. The remainder, including the appointment of a main contractor to assist with the concept design development and cost plan will take place in 2024/25. As a result, a total of

£1.7m will be reprofiled into future years.

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Appendix C – Changes to Capital Budget since P6

Report	Authority	Directorate	Project Name	Funding	2023/24	2024/25	2025/26	Future Years	Total
					£'000	£'000	£'000	£'000	£'000
P6 Capital Monitoring Report					**496,287**	**349,373**	**73,426**	**3,700**	**922,786**
September Delegated Approval	Delegated	Growth & Development	Shared Prosperity Fund - Manchester Local Business Prog	Government Grant	267				267
November Delegated Increase	Delegated	Highway Services	Wilbraham Road Traffic Calming Feasibility	External Contribution	35				35
November Delegated Increase	Delegated	Highway Services	Area 37 - 20MPH Signage	External Contribution	119				119
November Delegated Increase	Delegated	Neighbourhoods	PDP - Fletcher Moss Croft Redevelopment	Borrowing	98				98
November Delegated Increase	Delegated	Neighbourhoods	Parks Development Programme	Borrowing	-98				-98
November Delegated Increase	Delegated	Neighbourhoods	Wythenshawe Cycling Hub	Borrowing	46				46

Report	Authority	Directorate	Project Name	Funding	2023/24	2024/25	2025/26	Future Years	Total
					£'000	£'000	£'000	£'000	£'000
November Delegated Increase	Delegated	Highway Services	Other Improvement works	Borrowing	-150				-150
November Delegated Increase	Delegated	Highway Services	Bike Hangars	Borrowing	150				150
November Delegated Increase	Delegated	Highway Services	Other Improvement works	Borrowing	-111				-111
November Delegated Increase	Delegated	Highway Services	A34 Corridor 1	Borrowing	111				111
November Delegated Increase	Delegated	Childrens Services (Excl. BSF)	Family Hubs	Government Grant	279				279
November Delegated Increase	Delegated	Highway Services	Speed Reduction Schemes	Government Grant	140				140
November Delegated Increase	Delegated	Public Sector Housing	Additional FRA actions	RCCO	-240				-240
November Delegated Increase	Delegated	Public Sector Housing	Stock Condition	RCCO	240				240
November Delegated Increase	Delegated	Highway Services	Ancoats Streets for All	External Contribution	344				344

Report	Authority	Directorate	Project Name	Funding	2023/24	2024/25	2025/26	Future Years	Total
					£'000	£'000	£'000	£'000	£'000
November Delegated Increase	Delegated	Highway Services	Public Realm	Capital Receipts	140				140
November Delegated Increase	Delegated	Growth & Development	Back of Ancoats Mobility Hub & Public Rm	External Contribution		680			680
November Delegated Increase	Delegated	Highway Services	Other Improvement works	Borrowing		-714			-714
November Delegated Increase	Delegated	Highway Services	A34 Corridor 1	Borrowing		521			521
November Delegated Increase	Delegated	Highway Services	Ancoats Streets for All	External Contribution		49			49
November Delegated Increase	Delegated	Highway Services	Public Realm	Capital Receipts		260			260
November Delegated Increase	Delegated	Highway Services	A34 Corridor 1	Borrowing			193		193
November Executive Report	Executive	Highway Services	Patching Defect repairs	Borrowing	1500				1,500
November Executive Report	Executive	Highway Services	Manchester Cycleway	Borrowing	570				570

Report	Authority	Directorate	Project Name	Funding	2023/24	2024/25	2025/26	Future Years	Total
					£'000	£'000	£’000	£’000	£’000
November Executive Report	Council	Childrens Services (Excl. BSF)	Levenshulme High School for Girls – 2024 Expansion	Borrowing (to be refunded by grant)	850				850
November Executive Report	Council	Childrens Services (Excl. BSF)	Chorlton High School 2024 Expansion	Borrowing (to be refunded by grant)	1000				1,000
November Executive Report	Executive	Growth & Development	New Smithfield Market Redemption	RCCO	124				124
November Executive Report	Executive	Growth & Development	New Smithfield Market Redemption	Capital Receipts	124				124
November Executive Report	Executive	Private Sector Housing	Disabled Facilities Grant	Government Grant		740			740
November Executive Report	Executive	Private Sector Housing	Disabled Facilities Grant	External Contribution		2426			2,426
November Executive Report	Council	Childrens Services (Excl. BSF)	Levenshulme High School for Girls – 2024 Expansion	Borrowing (to be refunded by grant)		1650			1,650

Report	Authority	Directorate	Project Name	Funding	2023/24	2024/25	2025/26	Future Years	Total
					£'000	**£'000**	**£'000**	**£'000**	**£'000**
November Executive Report	Council	Childrens Services (Excl. BSF)	Chorlton High School 2024 Expansion	Borrowing (to be refunded by grant)		3200			3,200
November Executive Report	Council	Growth & Development	Carbon Reduction Programme	Borrowing		500			500
November Executive Report	Executive	Highway Services	Manchester Cycleway	External Contribution			-2054		-2,054
December Delegated Increase	Delegated	Neighbourhoods	Cringle Park - Grounded Coffee	Borrowing	150				150
December Delegated Increase	Delegated	Neighbourhoods	Parks Development Programme	Borrowing	-200				-200
December Delegated Increase	Delegated	Neighbourhoods	Heaton park Orangery	Borrowing	50				50
December Delegated Increase	Delegated	Neighbourhoods	Bridgewater Hall	Capital Fund	58				58
December Delegated Increase	Delegated	Private Sector Housing	Housing Affordability Fund	External Contribution	150				150
December Delegated Increase	Delegated	Neighbourhoods	Cringle Park - Grounded Coffee	Borrowing		77			77

Report	Authority	Directorate	Project Name	Funding	2023/24	2024/25	2025/26	Future Years	Total
					£'000	**£'000**	**£'000**	**£'000**	**£'000**
December Delegated Increase	Delegated	Neighbourhoods	Parks Development Programme	Borrowing		-1405			-1,405
December Delegated Increase	Delegated	Neighbourhoods	Heaton park Orangery	Borrowing		1328			1,328
January Delegated Approval	Delegated	Neighbourhoods	Hough End Master Plan - Strat Football Hub Development Costs	Borrowing	60				60
January Delegated Approval	Delegated	Neighbourhoods	Galleries Collection Housing & Remediation Works	Government Grant	150				150
January Delegated Approval	Delegated	Neighbourhoods	Galleries Collection Housing & Remediation Works	External Contribution	674				674
January Delegated Approval	Delegated	Growth & Development	Shared Prosperity Fund - Manchester Local Business Prog	Government Grant	350				350

Report	Authority	Directorate	Project Name	Funding	2023/24	2024/25	2025/26	Future Years	Total
					£'000	£'000	£’000	£’000	£’000
January Delegated Approval	Delegated	Growth & Development	Shared Prosperity Fund - Manchester Local Business Prog	Government Grant		100			100
January Delegated Approval	Delegated	Growth & Development	Estates Transformation	Borrowing		-113			-113
January Delegated Approval	Delegated	ICT	Meeting Room AV Project	Borrowing		56			56
January Delegated Approval	Delegated	ICT	Meeting Room AV Project	Borrowing	57				57
January Delegated Approval	Delegated	Highway Services	Highways Development Funding Support	External Contribution	225				225
January Delegated Approval	Delegated	Public Sector Housing	Contingency	RCCO	-894				-894
January Delegated Approval	Delegated	Public Sector Housing	Adaptations	RCCO	894				894
January Delegated Approval	Delegated	Public Sector Housing	Fire Safety Act works	RCCO	-450				-450

Report	Authority	Directorate	Project Name	Funding	2023/24	2024/25	2025/26	Future Years	Total
					£'000	**£'000**	**£'000**	**£'000**	**£'000**
January Delegated Approval	Delegated	Public Sector Housing	Roach Court Roof Replacement works	RCCO	450				450
Total Budget Adjustment Approvals					506,410	358,728	71,565	3,700	937,542

Appendix D – Prudential Indicators December 23

No	Prudential Indicator		Target		As at end Dec 23	Target Breached Y/N
			£m		£m	
1	Estimated Financing Costs to Net Revenue Stream		5.49%		5.49%	N
2	Forecast Capital Expenditure	Non – HRA	377.4		362.8	N
		HRA	49.0		41.4	N
		Total	473.7		**401.0**	N
3	Forecast Capital Financing Requirements[1]	Non – HRA	1,854.7		1,760.6	N
		HRA	321.8		301.8	N
		Total	2,176.5		**2,062.4**	**N**
4	Authorised Limits for External Debt	Borrowing	1,825.1		1,174.4	N
		Other Long-Term Liabilities	190.0		126.7	N
		Total	2,015.1		1,301.1	N
5	Operational Boundaries for External Debt	Borrowing	1,620.5		1,174.4	N
		Other Long-Term Liabilities	190.0		126.7	N
		Total	1,810.5		1,301.1	N
6	Upper Limits for Principal Sums Invested for over 364 days.		0		0	N
			Upper Limit	*Lower Limit*		
7	Maturity Structure of Borrowing	under 12 months	70%	0%	25%	N
		12 months and within 24 months	60%	0%	8%	N
		24 months and within 5 years	40%	0%	8%	N
		5 years and within 10 years	50%	0%	19%	N
		10 years and above	80%	30%	41%	N

Manchester City Council
Report for Resolution

Report to:	Executive – 14 February 2024 Resources and Governance Scrutiny Committee – 26 February 2024
Subject:	Medium Term Financial Strategy and 2024/25 Revenue Budget
Report of:	Deputy Chief Executive and City Treasurer

Summary

Local Government is under profound financial pressure, largely due to externally driven cost and demand pressures at a national level particularly affecting Adults Services, Children's Services and Homelessness. It is in this context that the Council must set a balanced budget for 2024/25 and seek to develop a sustainable medium term financial plan.

The report sets out the Framework for the Our Manchester Strategy and Corporate Plan priorities which provide the strategic context for the 2024/25 Budget. It also provides the financial context for the budget and the required statutory assessment of the robustness of the proposed budget.

The proposals contained within this report outline how the council is proposing to spend and finance a net revenue to over £810m as the council sets out its plans to continue to deliver high quality services to its residents.

The report also covers the issues which need to be considered prior to the Council finalising the budget and setting the Council Tax for 2024/25. 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 2024/25-2026/27 and the Treasury Management Strategy; all contained elsewhere on this agenda.

Recommendations

The Executive is requested to:

(i) Consider the directorate Revenue Budget Reports 2024/25 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 5 February 2024 together with any further announcements at that date;
(iv) Note the anticipated financial position for the Council for the period of 2024/25 which is based on all proposals being agreed (para 5.18, Table Three);

(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 2024/25
(vii) Note that the Capital Strategy and Budget 2024/25 to 2026/2 will be presented alongside this report
(viii) Make specific recommendations to Council to approve in the budget for 2024/25:
   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 6.55);
   c. corporate budget requirements to cover levies/charges of £70.060m (para 6.51 - 6.54), capital financing costs of £43.926m (para 6.56 – 6.58), additional allowances and other pension costs of £8.497m (para 6.61) and insurance costs of £2.004m (para 6.62);
   d. the inflationary pressures and budgets to be allocated in the sum of £17.357m; 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 6.63 – 6.64);
(ix) Approve the gross and net Directorate cash limits as set out in paragraph 6.84
(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 2024 (para 6.68);
(xi) 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 to Sprovide 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;
(xii) Recommend that Council approve and adopt the budget for 2024/25.

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 2024/25. 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 2024/25, 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 2024/25.

The latest financial position for the current financial year, 2023/24, is set out within the Global Revenue Budget Monitoring report elsewhere on the Agenda.

The proposed balanced budget for 2024/25 is £810.515m, with the forecast gap to be closed for the start of 2025/26 standing at £28.8m increasing to £40.m by 2026/27.

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.

Medium Term Financial Strategy and 2023/24 Revenue Budget – Executive 15 February 2023
Revenue Budget Update 2024/2025 - Resources and Governance Committee 7 September 2023
Revenue Budget Update and Corporate Core Budget Proposals 2024/25 - Resources and Governance Committee 9 November 2023
Provisional Local Government Finance Settlement 2024/25 and Budget - Resources and Governance Scrutiny Committee 11 January 2024
Revenue Budget Update and Corporate Core Budget Proposals 2024/25 - Resources and Governance Committee 14 February 2024

Structure

The structure of the report is as follows:

Section 1	Introduction and background
Section 2	The Our Manchester Strategy
Section 3	The Corporate Plan
Section 4	Financial Context
Section 5	Context and Strategy for delivering a balanced budget in 2023/24
Section 6	Underpinning Financial Assumptions
Section 7	Medium Term Outlook
Section 8	Fiduciary and Statutory Considerations
Section 9	Budget Calculations: report on robustness of estimates and adequacy of proposed financial reserves
Section 10	Financial Governance

Section 11 Consultation
Section 12 Conclusion

Appendix 1: Business Plan 2024/25
Appendix 2: Savings Proposals 2024/25 to 2026/25
Appendix 3: Investment Proposals 2024/25 to 2026/27
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 2024/25 final Local Government Finance Settlement which was received 5 February 2024. 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 11 January 2024, the provisional finance settlement was disappointing. Despite the well reported financial difficulties being faced by Local Authorities across the sector there was no new funding for public services announced. Instead, an unexpected 84% cut in core funding Services Grant was announced. In addition to the challenges presented by the settlement announcements, there have been growing pressures in social care.

1.4 At the start of the budget process the Council was facing a £26 million budget shortfall for 2024/25. The gap has been closed through £11.2m of proposed savings and a further £15m of measures which relate to extra income or deferred spending. The Council is still able to set a balanced budget which supports its priorities, however this is becoming increasingly difficult.

1.5 In line with the one-year finance settlement this report sets out a balanced one-year budget for 2024/25 along with the estimated position for 2025/26 and 2026/27. 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.

1.6 The financial considerations contained within this report are based on the final Local Government Finance Settlement 2024/25 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.

1.7 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.

1.8 The strategic framework remains the Our Manchester Strategy, the Corporate Plan and the Locality Plan. The Summary Council Business Plan 2024/25 describes in more detail the action being taken to deliver the Corporate Plan. The council’s approach to public service reform that prioritises early help and prevention is improving outcomes for residents and also contributing to managing demand and associated cost pressures within services. The budget proposals for 2024/25 will continue to reflect the priorities set out in the Corporate Plan.

1.9 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 Our Manchester Strategy (OMS) was originally developed in 2015 and launched in 2016. It set out the city's overarching 10-year vision and strategic priorities. The development of the OMS was overseen by the Manchester Leaders' Forum, now the Our Manchester Forum, a partnership board of 40 leaders from Manchester's public, private and voluntary sector. The Our Manchester Forum remains in place today to provide governance around the implementation and progress of the strategy.

2.2 In May 2020, the Executive agreed to undertake a reset of the Our Manchester Strategy 2016 – 2025. This was to reflect upon progress made in the first half of the Strategy's implementation, and to assess new and existing challenges. This work was also undertaken as part of the Council's COVID-19 recovery planning. The reset strategy, known as Our Manchester: Forward to 2025, was adopted by Full Council in March 2021.

2.3 Since its adoption Our Manchester: Forward to 2025 has guided the city's overall direction and informed development and delivery of all the Council's work. As the strategy is now approaching the end of its life, work will begin on the next Our Manchester alongside our partners and stakeholders to create a new vision for the next ten years.

2.4 The OMS is the overarching strategy for the city, not just the City Council, with the current version running to the start of 2025. It states what we want the future of Manchester to be, and how we plan to get there, with all people and organisations playing a role in making it happen. The current version of the OMS is structured under five themes:

- Thriving and sustainable
- Highly skilled
- Progressive and equitable
- Connected
- Liveable and zero carbon

2.5 Individual priorities under these themed are delivered by the Council and our partners and stakeholders around the city. The structure of the OMS provides the foundations for the Council's wider policy and strategy framework, with connections across one or more OMS themes. Manchester has come a long way since the original OMS was adopted, and at the same time has responded to some significant external events and challenges, demonstrating the resilience of the strategy itself and the partnerships and networks around it.

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. For 204/25 the Corporate plan was reviewed and streamlined to reduce the number of themes from nine to seven, providing more clarity and focus. This was achieved by combining three previous themes of Housing, Delivering in Neighbourhoods and Connections into a new singular resident focused theme of 'Inclusive Communities, Thriving Neighbourhoods'. The more detailed priorities which underpin the seven themes have also been updated to reflect the current context looking ahead to 2024/25.

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

Theme 1: Inclusive economy where every resident shares in the prosperity of our growing economy *Create a resilient and sustainable economy that is thriving, creates great opportunities and increases social mobility for our residents, attracts the best talent, has excellent national and international transport connections, and is resilient to future shocks.*

- Use investment and development to drive inclusive growth by maximising the scale, quality and density of schemes in the city centre and surrounding areas. Ensure that large-scale developments outside the city centre include economic assets to help neighbourhoods to thrive.
- Create the economic conditions that nurture thriving, productive and innovative sectors that provide good quality jobs and pay for Manchester residents.
- More Manchester residents and young people benefit from economic opportunities by tackling poverty, supporting people to live well and equipping them with the skills to succeed and access to good quality, secure work.
- Develop world class infrastructure to attract new entrants into the city, support the visitor economy and provide safe, accessible transport connections for residents to access jobs and enable the city's economy to thrive.

Theme 2: Tackling climate change and create a healthy, green, socially just city where everyone can thrive *Lead delivery of the science-based target approach for Manchester to become a zero-carbon city by 2038 at the latest and remain within a carbon budget of 15 million tonnes of carbon for the period 2018-2100.*

- Deliver the Council's leadership role in reducing citywide CO2 emissions, using Council levers such as the development of the Local Plan, and planning for physical and green and blue infrastructure and adaptation and resilience. 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 the Council's Climate Change Action Plan 2020-25 to reduce the Council's own direct CO2 emissions to remain within the Council's allocated Carbon Budget in line with our science-based targets developed by the Tyndall Centre for Climate Research.

Theme 3: Advancing Equality, Diversity, and Inclusion *Deliver on our equality, diversity, and inclusion commitments to support Manchester's vision to be a progressive and equitable city.*

- Promoting inclusive community involvement and engagement in the planning, design, and delivery of interventions to; build trust, share, and amplify community voice to provide insight; be led by data; and work in collaboration and partnerships.
- Deliver inclusive and accessible services that meet the needs of our diverse communities; through greater accountability; building capabilities and confidence across the workforce to recognise and mitigate disparities experienced by protected and marginalised groups and their intersectionality across all our services.
- Improve representation across all levels of the organisation; provide an accessible and inclusive working environment and culture enabling the Council to become an employer of choice where all people can flourish.

Theme 4: Children and Young People enjoy a safe, happy, healthy and successful future *From day one, support Manchester's children to be safe, happy, healthy, and have a successful future.*

- Work with UNICEF UK - to support Manchester be recognised as a UNICEF UK Child Friendly City.
- All children to have access to and attend high-quality educational settings, which are inclusive and promote good attendance
- Support and promote children to have the best possible start in life, be ready for school and adulthood and have developed skills which equip them for life. This includes ensuring any additional needs are quickly identified, responding to and they are involved in decision making processes, their views and needs are understood and increasing equitable access to youth, play, leisure, employment, training, and cultural opportunities.
- Reduce number of children needing a statutory service.

Theme 5: Improving Health and Well Being for all *Work with partners to enable all people to be healthy and well, improving health equity and narrowing the gaps between the healthiest and the least healthy. Target the amount and type of support according to need, working with people and communities to improve their lives.*

- Deliver services, schemes and initiatives that improve population health outcomes and protect Manchester's residents from threats to their health. Work with partners to tackle the root causes of health inequalities, focussing on the social determinants including actions to prevent and reduce poverty, reducing poor air quality, tackling poor housing standards and reduce the impact of structural discrimination on health.

- Support the Manchester Place Based Health and Care Integration ambitions and develop joint commissioning and investment opportunities.
- Consolidate the leadership role of the MLCO (Manchester Local Care Organisation) in the Manchester integrated health and care system, including delivery and commissioning of Adult Social Care, Community Health, and Children's Services over the next five years.

Theme 6: Inclusive Communities, Thriving Neighbourhoods *Create great places to live, work and travel to, with the right mix of good-quality housing, clean and vibrant neighbourhoods, excellent, sustainable local transport infrastructure, and better digital networks.*

- Ensure inclusive access to housing by the provision of enough safe, secure, affordable and energy efficient homes across all tenures
- Make Homelessness rare, brief, and unrepeated through the increase in prevention and delivering better life outcomes for those at risk or who are homeless.
- Ensure that the city is cleaner, greener, and well maintained.
- Through volunteering, and participating with community groups, voluntary organisations, culture, leisure, libraries, and major and community events all residents can access, benefit from and contribute to vibrant neighbourhoods.
- All residents can access coordinated services in their neighbourhood through strengthening the Manchester neighbourhood approach: bringing services together for people in places including Health and Social Care (through the Integrated Neighbourhood teams (INTs)), Greater Manchester Police (GMP), Housing, and Children's Services.
- Our residents feel safe in our city and our neighbourhoods
- Improve public transport and highways, and make them more sustainable, whilst increasing walking and cycling.

Theme 7: Well-managed Council *Support our people to be the best and make the most of our resources*

- Deliver the Future Shape of the Council Transformation plan to achieve a digital first approach, to ensure we are responsive to businesses, residents and colleagues and we are future ready, efficient and resilient.
- Effectively manage our capital and revenue resources, via effective budget planning and management.
- Ensure the Council has the right capacity, capability, and diversity to deliver great services to residents, through strategic workforce planning and effective productivity and performance management.
- The council remain strategically focused, maintains good corporate governance, operates within its legal framework and embraces a culture of transparency and accountability.

3.3 The Summary Council Business Plan 2024/25 describes in more detail the activities taking place to deliver the Corporate Plan and is attached in Appendix 1.

3.4 Each service will also 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 how the service will make planned improvements, delivery against cross-cutting priorities and how they will manage their resources and mitigate risks. This includes sections on:

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

3.5 Collectively this suite of documents provides a clear connection between the city's strategic vision and how the Council operates to deliver this. These plans support all staff to understand the valued contribution they make to Manchester. The financial planning in the remainder of the report demonstrates how we use our resources effectively to achieve this vision.

3.6 In addition Making Manchester Fairer (MMF) is Manchester City Council's five-year action plan to address health inequalities in the city focussing on the social determinants of health. In the wake of the COVID-19 Pandemic and the cost-of-living crisis, the need to tackle inequalities in the city continues to be a corporate and political priority. The delivery of MMF can be by its 8 themes, 4 ways of involving communities and 6 principles that underpin the way the programme will be delivered. Implementation of the plan has focused on the foundational workstreams required to ensure robust delivery of the plan. Further details are set out in the Public Health budget report elsewhere on the agenda.

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 13 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 2024/25 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 increased by just £32.1m (+5.1%) compared to an England average increase of +17.2%. The increase in spending power per head, (based on the ONS 2022 Mid-Year Estimate population data), is £56.36 (compared to an England average increase of £166.66 per head), a difference of £110.29 per head.

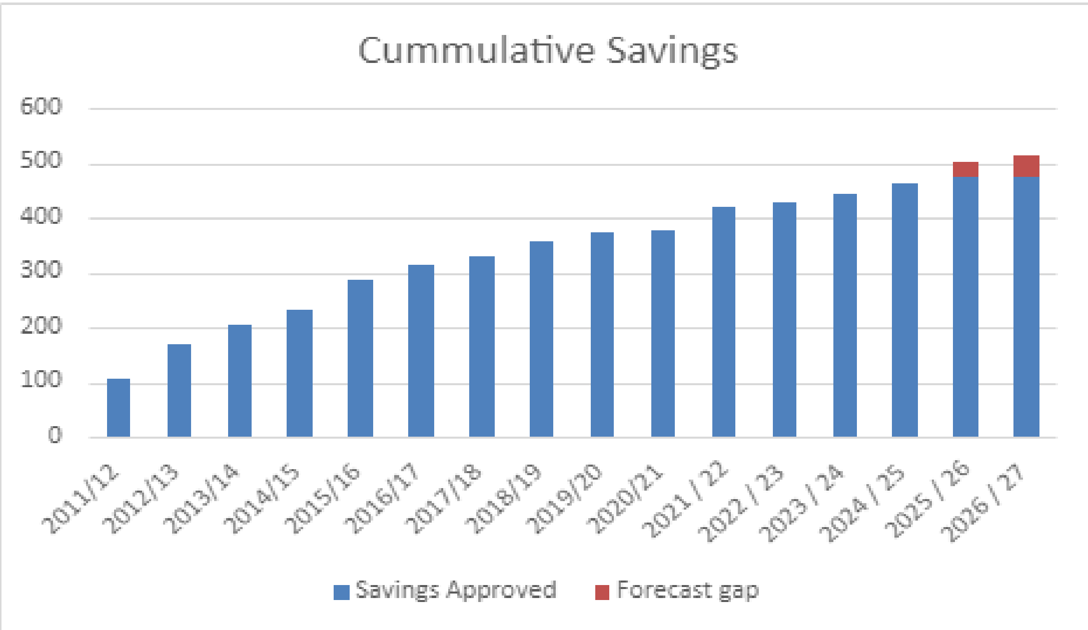
4.3 Manchester and similar authorities were disproportionately impacted by the central government grant cuts due to the methodology applied pre 2016/17 which did not take account of the ability to raise council tax penalising local authorities with a low council tax base who are more dependent on government 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 +7.5% and c£4.5bn additional of funding will be “made available” to councils. Of this £2.1bn 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 £443m from 2010/11 to 2023/24 inclusive to balance its budget. In addition to these cuts, this report includes further savings proposals totalling £32m over the next two 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 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. The rates retention pilot will cease at the end of 2023/24, and from 2024/25 it will be replaced by the Greater Manchester Trailblazer Deal which secures the 100% retention scheme for all 10 Greater Manchester authorities for a further 10 years, to 2034/35. 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 £83.7m to date, with a further £13.5m share forecast in 2023/24. Overall, £422.8m has been retained by GM authorities since 2017/18, with £88.2m forecast for 2023/24;

- **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. 74% of the new housing in 2023/24 is banded in council tax band C and above. 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 for some time. 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£18m per annum, the majority of this is considered secure and stable.

5. Context and Strategy for delivering a balanced budget in 2024/25

National Context

5.1 The financial outlook for Local Government remains extremely challenging. The LGA published new analysis on 20 October 2023[1] which estimates that English councils are set for a budget gap of £4bn by March 2025 just to maintain services at current levels. In the last six years, eight local authorities have issued a section 114 notice, signifying severe financial distress, while none had done so in the preceding eighteen years. In 2023 there were three section 114 notices in just six months. Many other councils have publicly indicated that they might need to make the same announcement in the next few months. Inflation at an average of 8%, together with unrelenting demand pressures has compounded challenges, especially in social care and homelessness, surpassing the impact of the prior decade's austerity.

5.2 The Commons' levelling up, housing & communities committee carried out an inquiry into financial distress in local authorities2, which took evidence from across the sector and government ministers. The findings were published 1st

[1] Autumn Statement 2023: LGA submission https://www.local.gov.uk/parliament/briefings-and-responses/autumn-statement-2023-lga-submission
[2] Published 1 February 2024: Commons' levelling up, housing & communities committee report: financial distress in local authorities

February, warning that failure to act would see a significant number of authorities failing. The committee found that the local government system simply being underfunded and under-resourced, and not being able to meet its statutory requirements. The report highlighted "significant reductions" in the spending power of local authorities and an "increasing demand" for services in addition to inflationary pressures which has led to an increase in costs.

5.3 The areas cited as key pressures on Local Authorities finances are familiar and include:

- Childrens Social care rising demand for residential placements combined with a poorly functioning market.
- Adult Social Care demand driven by a changing population with increasingly complex needs
- Workforce shortages and inflationary pressures
- Delivery of services for children and young people with special educational needs and disabilities (SEND), including provision of home-to-school transport
- Increasing levels of homelessness have required local authorities to spend more in fulfilling their responsibilities to those requiring support. Partly driven by frozen local housing allowance (LHA) rates at April 2020 levels

Strategy for setting a balanced budget

5.4 Whilst not complacent, the Council is in a better position than many and is able to propose a balanced budget for 2024/25. This is due to the careful long-term financial planning which has involved:

- Taking tough decisions early, making difficult decisions around cost reduction and doing things differently.
- Investment in demand management and prevention
- Delivery of planned savings and replacement of those that could not be implemented as planned
- Holding a robust position on reserves and using them wisely
- Prioritising investments which are important to residents such as Neighbourhood services, cost of living and protecting the most vulnerable.

5.5 Despite the challenging backdrop 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 must be maintained between protecting investment to generate growth (and growing the revenues available to the Council), whilst providing high-quality universal services and protecting the most vulnerable.

5.6 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 £228.1m to 2026/27. 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 was 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.

5.7 The Medium-Term Financial Strategy (MTFS), approved in February 2023, 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 2023 an indicative balanced 2024/25 budget was set out. The forecast gap for 2025/26 was £40m.

5.8 In line with the national position, outlined earlier in this report, the Council has seen significant pressures across Social Care resulting in a forecast overspend of £5.5m for the current year as set out in the Revenue Monitoring report elsewhere on this agenda. The 2024/25 budget was updated to reflect the ongoing impact of these pressures alongside the outcome of the settlement and an update of the income raised from local taxes (Council Tax and Business Rates). Regular updates have been provided to the Councils Resources and Governance Committee throughout the process based on the best available information and assumptions at that time.

5.9 The November 2023 scrutiny committees were presented with an updated forecast budget gap for 2024/25 of £1.7m. At that stage the Social Care and other pressures were starting to materialise and final government funding levels were unknown. This update reflected £25m of pressures and budget growth which was partly funded by positive increases in local resources. The most significant was confirmation of the continuation of the Greater Manchester 100% business rates retention scheme for the next 10 years. Districts will now retain 75% of the growth generated which meant an increase in the level of income available to the council. In addition, options were presented to close the emerging gap, which included additional cuts and efficiencies of £2.5m for consideration. It was anticipated that further cuts and savings may be required depending on the outcome of the provisional settlement.

5.10 The finance settlement is the annual determination of funding for local government from central government. The provisional 2024/25 settlement was announced 18 December 2023, following the Autumn Statement announced 22 November 2023. Full details can be found on the DLUHC website.

5.11 The outcome of the settlement was reported to the 11 January 2024 meeting of Resources and Governance Committee. There was no new funding announced in the provisional settlement. Disappointingly the Services Grant was cut by 84.1% nationally. For Manchester this was a reduction of £6.1m, from £7.2m to just £1.1m. Whilst some redistribution of services grant had been anticipated, it was not expected at this scale. This cut was partly offset by an increase in forecast business rates income of £3.1m (one off) linked to another year of Retail, Hospitality and Leisure Relief. This scheme gives 75% relief for this sector up to a cap of £110k per business. This has a positive impact on the level of bad debt and appeals to be provided for, as these are now based on a reduced level of income. Other settlement changes to Revenue Support Grant and New Homes Bonus net to £0.6m.

5.12 The budget impact of the provisional settlement was a £2.4m worsening of the position for 2024/25, expected to rise to £5.3m in 2025/26. At the same time the in year budget position for the Council was worsening meaning that the budget needed to allow for topping up the General Fund reserve by at least £1m to maintain the reserve at a reasonable level to enable the overspend to be funded.

5.13 This increased next years budget gap to c£5m as set out to Resources and Governance committee 11 Jan 2024 and shown in table one below.

Table One: Impact of Settlement announcements on the forecast budget gap

	2024 / 25 £'000	2025 / 26 £'000	2026 / 27 £'000
Position reported to Resources and Governance 9 Nov 2023	**1,655**	**29,844**	**48,990**
Settlement changes	2,374	6,403	6,403
Increase General Fund to reflect worsening overspend	1,000		
Revised Shortfall / (surplus) after settlement reported to Resources and Governance 11 Jan 2024	**5,029**	**36,247**	**55,384**

5.14 In addition to the settlement announcements Manchester continues to face growing pressures in social care and homelessness. In the last two months there has been an increase in children's placement numbers and costs, further significant pressures across ASC budgets and some worrying trends in asylum seekers/migrant policy/homelessness. This is in line with national trends and core cities and other GM authorities are all reporting similar issues. Work throughout January quantified the full year effect of the increased numbers of residents requiring care and support, which came to £18.4m, after demand management and proactive mitigations of £8.4m this has been reduced to an additional budget requirement of £10m in 2024/25. Whilst extremely challenging it is important that a realistic and deliverable budget is set which recognises these additional pressures, and allows a realistic budget to be set. Table Two outlines the gap reported to RAGOS in January; highlighted the additional pressures identified and their mitigations to arrive at an updated gap of £15.029m.

Table Two – Additional budget pressures in Adults and Children's Services

	2024 / 25 £'000	2025 / 26 £'000	2026 / 27 £'000
Revised Shortfall / (surplus) after settlement reported to Resources and Governance 11 Jan 2024	**5,029**	**36,248**	**55,384**
Pressures:			
Adults - Ongoing Impact of 2023/24 pressures Demand Management and Prevention	12,400 (6,400)	12,400 (6,400)	12,400 (6,400)
Adults - Net additional pressures	***6,000***	***6,000***	***6,000***
Children's - Ongoing Impact of 2023/24 pressures Increased inflation requirement Demand Management and Prevention	4,000 2,000 (2,000)	4,000 2,000 (2,000)	4,000 2,000 (2,000)
Children's - Net additional pressures	***4,000***	***4,000***	***4,000***
Total net additional pressures	**10,000**	**10,000**	**10,000**
Total Budget Gap January 2024	**15,029**	**46,248**	**65,384**

5.15 The budget report to Resources and Governance Scrutiny on 8 February 2024 set out the following mitigations to finalise the revenue budget:

- A £5.5m Greater Manchester Combined Authority waste levy rebates
- £0.6m final GMCA levy announcements
- £3.93m through improved Council Tax and Business Rates collection, including the introduction of a 100% Council Tax premium on unfurnished empty homes.
- £1.5m through extra income from buildings owned by the Council – through increased rental charges and the renting out of vacant units
- £1.2m through interest on airport loans and investments
- £1m through energy savings due to reductions in wholesale prices
- £0.5m through the rephasing of ICT investments
- £0.5m through the rephasing of Growth & Development investments
- £0.3m through in-year underspends in back office budgets and reduced travel costs

5.16 The changes to council tax and business rates collection reflect the release of collection surpluses of £2.13m which are one off, as well as recurrent increases to resources due to being able to charge a 100% council tax premium on unfurnished empty homes, expected to raise £0.8m per annum and a £1m per annum improvement in business rates collection which is now at pre pandemic collection rates. The uplifts in Council tax for 2025/26 and 2026/27 are due to the introduction of a new council tax premium levied on empty furnished properties, such as second homes and short term holiday lets. Governments budget assumptions through to 2028/29 also assume annual council tax increases of 4.99% over that time period, which has also been factored into the MTFP figures.

5.17 The GMCA has also announced it is returning £30m of waste reserves to districts, Manchester's share is £5.5m, on top of a further £0.6m due to the ongoing levy budgets being confirmed at a lower level than initially expected. The waste reserves will be returned in two tranches with £10m returned as part of the 2023/24 underspend in the current financial year, with £20m returned in 2024/25.

5.18 It is important to note that £8.53m of the measures proposed to close the £15m gap are non-recurrent, meaning more permanent proposals will need to be found for 2025/26 and beyond. Table three summarises the impact of the changes since February 2023, as outlined above.

Table Three – Summary of changes to the budget position

	2024 / 25 £'000	**2025 / 26 £'000**	**2026 / 27 £'000**
Position reported to Executive February 2023 MTFS	**0**	**40,392**	**54,164**
Directorate Pressures	25,325	32,589	38,653
Other changes including confirmation of 100% business rates retention	(21,170)	(40,636)	(41,327)
Directorate Savings	(2,500)	(2,500)	(2,500)
Position reported to Resources and Governance 9 Nov 2023	**1,655**	**29,845**	**48,990**
Provisional Settlement changes	2,374	6,403	6,394
Increase General Fund to reflect worsening overspend	1,000	0	0
Revised Shortfall / (surplus) after settlement reported to Resources and Governance 11 Jan 2024	**5,029**	**36,248**	**55,384**
Full year impact of increased Social Care pressures	10,000	10,000	10,000
Mitigations identified January 2024	(15,029)	(17,448)	(24,619)
Shortfall / (surplus)	**0**	**28,800**	**40,765**

Impact of the Final Local Government Finance Settlement

5.19 On 5th February the Government published the final Local Government Finance Settlement for 2024/25. This includes the additional measures announced on 24 January in a written statement, worth £600m. The announcement included a further £500m for social care, £15m increase in the Rural Services Delivery Grant (RSDG), and that the funding guarantee would be increased from 3% to 4%.

5.20 The Final settlement headlines are:

- The final Local Government Finance Settlement for 2024-25 makes available up to £64.7bn, an increase in Core Spending Power of up to £4.5bn or 7.5% in cash terms on 2023-24
- On 24 January the Government announced additional measures for local authorities in England worth £600m. This includes £500m of new funding for councils with responsibility for adult and children's social care, distributed through the Social Care Grant.
- Taking into account this additional funding, this Settlement will provide £1.5bn in additional grant for social care compared to 2023/24, in recognition of pressures facing both adult and children's social care.
- The sector-wide Funding Guarantee ensures all local authorities will see a minimum 4% increase in Core Spending Power before local council tax decisions – an increase from the 3% Funding Guarantee in 2023/24.
- The Government has also announced a £15 million increase in the Rural Services Delivery Grant, rising to £110 million in 2024/25, in recognition of the additional costs faced by councils serving dispersed populations in rural areas.
- The core Council tax referendum principle is remaining at 3% and the adult social care precept at 2%, with additional flexibilities for some authorities.

5.21 Manchester will receive an additional £110k for Services Grant, it is proposed this is used to top up the inflation provision.

5.22 The Council's Social Care Grant income will be £5.5m higher than indicated at the provisional settlement. The social care grant is to fund the growing national pressures across social care and ensure the right preventative measures are in place. As outlined above, since the last report to RAGOS on 11 January a further £10m has been built in to deal with the increasing pressures faced in Adults and Children's. In the absence of any additional Government funding being available, the council had to identify these funds from reserves and one off funding. Whilst the extra £5.5m grant now announced is not sufficient to meet those additional costs it will be applied towards them, reducing the overall drawdown on reserves which will be required to support the gap in 2025/26 and beyond.

5.23 This settlement has been set for a single year, and there has been no clear announcement on whether it will form part of the baseline and continue into 2025/26. A Comprehensive Spending Review (CSR) is expected post the election and current government funding allocations indicate a real terms cut of 3.4% per year for local government in England. In this context it is currently assumed that the additional grant is a one off increase, although the later a general election is called in the year the more likely it is that 2025/26 will be another one-off roll over type settlement. This assumption will be reviewed in the summer refresh of the MTFP once the position is clearer.

5.24 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. The table below shows the breakdown of Spending Power for MCC.

Table Four: Summary of MCC Spending Power

	Final Settlement	Provisional Settlement	Final Settlement		
Core Spending Power by component (£m)	**2023/24**	**2024/25**	**2024/25**	**Change - Provisional to Final**	**Change - year on year**
Revenue Support Grant	0.0	0.0	0.0	0.0	0.0
Baseline Funding Levels	252.6	266.3	266.3	0.0	13.7
Under indexation	31.6	36.2	36.2	0.0	4.6
Council tax	213.0	230.8	230.8	0.0	17.8
Improved Better Care Fund	31.7	31.7	31.7	0.0	0.0
Social Care Grant	50.7	60.2	65.8	5.6	15.1
Discharge Fund	4.5	7.4	7.4	0.0	3.0
Market Sustainability Improvement Fund	6.2	11.7	11.7	0.0	5.4
New Homes Bonus	6.6	4.1	4.1	0.0	(2.5)
Rural Services Delivery Grant	0.0	0.0	0.0	0.0	0.0
Rolled in grants	4.1	0.0	0.0	0.0	(4.1)
Funding Guarantee	0.0	0.0	0.0	0.0	0.0
Services Grant	7.2	1.1	1.2	0.1	(6.0)
TOTAL	**608.2**	**649.6**	**655.3**	**5.7**	**47.1**

5.25 The final recommended budget includes the following:

Additional Costs and Investment

5.26 The budget includes funding for pressures and investment proposals. Full details are included in the relevant scrutiny committee reports and included at Appendix 3.

Cuts and Savings

5.27 It is proposed that savings options of £31.476m are progressed. Details of the proposals 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 Five: Revised Savings proposals

Service Area	Amount of Saving 2024/25 £'000	2025/26 £'000	2026/27 £'000	Total £'000	Indicative FTE Impact
Adults Services	7,855	2,200	0	**10,055**	0
Public Health	15	0	0	**15**	0
Childrens Services	6,142	3,394	0	**9,536**	0
Neighborhoods	4,211	3,104	0	**7,315**	3
Corporate Core	1,359	1,089	0	**2,448**	37
Growth and Development	1,460	315	0	**1,775**	1
Cross Cutting	332	0	0	**332**	0
Total Savings	**21,374**	**10,102**	**0**	**31,476**	**41**

Impact on the Medium Term Financial Plan

5.28 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 Three.

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

Table Six Summary of Resources Available and Budget Requirement

	2023 / 24 £'000	2024 / 25 £'000	2025 / 26 £'000	2026 / 27 £'000
Resources Available:				
Business Rates / Settlement Related Funding	376,527	406,999	418,394	425,002
Council Tax	217,968	231,034	249,114	266,520
Grants and other External Funding	130,494	142,907	104,614	104,614
Dividends	0	195	390	390
Use of Reserves	17,087	29,380	32,853	27,982
Total Resources Available	**742,076**	**810,515**	**805,365**	**824,508**

Resources Required:				
Corporate Costs:				
Levies / Statutory Charge	70,060	72,463	78,806	78,610
Contingency	600	600	600	600
Capital Financing	43,926	43,926	43,926	43,926
Transfer to Reserves	1,335	8,968	0	0
Sub Total Corporate Costs	*115,921*	*125,957*	*123,332*	*123,136*
Directorate Costs:				
Additional Allowances and other pension costs	8,497	8,497	8,497	8,497
Insurance Costs	2,004	2,004	2,004	2,004
Inflationary Pressures and budgets to be allocated	2,101	17,357	33,492	50,226
Directorate Budgets	613,553	656,700	666,788	681,267
Subtotal Directorate Costs	*626,155*	*684,558*	*710,781*	*741,994*
Total Resources Required	**742,076**	**810,515**	**834,113**	**865,130**
Shortfall / (surplus)	**0**	**0**	**28,748**	**40,622**

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

- Directorate Budget Reports
- 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 Seven: Summary of resources available

	2023 / 24 £'000	2024 / 25 £'000	2025 / 26 £'000	2026 / 27 £'000
Resources Available				
Business Rates / Settlement Related Funding	376,527	406,999	418,394	425,002
Council Tax	217,968	231,034	249,114	266,520

Grants and other External Funding	130,494	142,907	104,614	104,614
Dividends	0	195	390	390
Use of Reserves	17,087	29,380	32,853	27,982
Total Resources Available	**742,076**	**810,515**	**805,365**	**824,508**

Settlement Funding Assessment and Core 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 2024/25 SFA is £266.3m.

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 2024/25 is £655.3m, which is a 5.1% increase on 2010/11 levels in cash terms. Nationally CSP has increased by 17.2%, or a £166.66 increase per head of population, compared to Manchester's £56.36 increase per head.

6.5 If the Council had received the national increase, it would have £75.4m 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 including an element for under indexation 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 Eight: Business Rates related income

	2023 / 24	**2024 / 25**	**2025 / 26**	**2026 / 27**
	£'000	**£'000**	**£'000**	**£'000**
Business Rates Baseline (per DLUHC)	360,598	380,943	388,562	396,334
Difference from baseline	(18,931)	(20,071)	31,711	34,233
Forecast Share of Business Rates Income	**341,667**	**360,873**	**420,273**	**430,567**
Business Rates Top Up / (Tariff)	(50,972)	(56,364)	(58,658)	(60,997)
Business Rates S31 Grants (non-COVID)	87,597	95,980	56,898	55,622

Forecast share of Business Rates Pilot Income to GMCA (25%)	(4,800)	(4,981)	(4,837)	(4,906)
Timing adjustments due to Collection Fund accounting	(11,399)	(7,035)	4,717	4,717
Surplus / (Deficit) related to S31 Grant Extended Retail Relief	3,905	0	0	0
Estimated Surplus relating to 2022/23	11,383			
Surplus adjustment relating to 2021/22	12,826			
Estimated deficit relating to 2020/21 (total £41.039m spread over 3 years)	(13,680)			
Surplus adjustment relating to 2022/23		20,012		
Estimated Surplus relating to 2023/24		2,788		
2022/23 Surplus / (Deficit) related to S31 Grant Extended Retail Relief		(4,273)		
Business Rates related income	**376,527**	**406,999**	**418,394**	**425,002**
Memo: Smoothing via reserves:				
Compensation for irrecoverable losses	7,036			
Business Rates related income	**383,563**	**406,999**	**418,394**	**425,002**

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

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 rates retention pilot will cease at the end of 2023/24, and from 2024/25 it will be replaced by the Greater Manchester Trailblazer Deal which secures the 100% retention scheme for all 10 Greater Manchester authorities for a further 10 years, to 2034/35. The scheme continues to set a growth baseline above which the ten Greater Manchester authorities retain 100% of growth for the length of the regime. 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 and this continues to be the case in 2024/25.

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 increase by 6.6% for CPI, increasing it to £71.6m. The allocation for Public Health Grant also confirmed a 1.3% to £57.8m.

6.10 As the Council is part of a 100% business rates scheme these increases are reflected in an adjustment to the Council's tariff, with an overall increase of £5.9m on last year being payable to government.

6.11 The top up and tariff for 2024/25 is also adjusted at local level to counteract the local ongoing impact of the 2023 revaluation through a reconciliation amount. This adjusts the top up or tariff by the latest Valuation Office Agency 2023 rating list, with a corresponding adjustment to the business rates baseline.

6.12 Business rates income would usually increase in line with the September CPI through an upward adjustment to the multiplier. In the Autumn Statement the Chancellor confirmed that for 2024/25 the small and standard multiplier would be ‘decoupled’ and would not both increase by inflation; with the small multiplier remaining at 49.9p and the standard multiplier increasing by CPI to 54.6p. However, Indexation grant will be provided to authorities for the freeze on the small multiplier, ensuring they would still benefit overall from a CPI increase.

6.13 The Government also confirmed the continuation of the Retail, Hospitality and Leisure Relief offering 75% discount in 2024/25 with a national cap of £110k per business. The Council is compensated for the loss of business rates income due to these changes through a S31 grant payment.

The Business Rates Baseline

6.14 The business rates base was formally declared on 31 January 2024 taking account of the latest data available, government announcements and fully reviewing all assumptions.

6.15 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 announcements. The business rates baseline would usually increase in line with September’s CPI, however as part of the Finance Settlement this was only increased partially on yield generated from the standard multiplier, resulting in a 5.6% increase from £360.6m in 2023/24 to £380.9m in 2024/25.

6.16 The information in setting the 2024/25 base is returned to Government in the NNDR1 return. This includes:

- Assumptions on the levels of mandatory and discretionary relief
- A provision for business rates appeals. This has been assumed to be at 5.4% 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 97.5% has been assumed for 2024/25 reflecting an improved level of business rates collection.

6.17 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 2024/25 on 31 January 2024. 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.

6.18 The City Council's business rates income used for budget setting purposes for the year 2024/25 is £360.9m.

6.19 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 2024/25 the business rates income and relevant Section 31 grants are £33.4m above the baseline

Business Rates Collection Fund Surplus/Deficit

6.20 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 2024.

6.21 The Council's 99% share of the 2023/24 declared Business Rates surplus is £22.8m. This is made up of two elements as follows:

- An increase surplus of £20.0m relating to 2022/23 which represents the difference between the Council's share of the estimated deficit for 2022/223, declared in January 2023; compared to the outturn position as at 31 March 2023. The improvement in the position was a result of an improved collection rate and a reduced requirement for the non-collection provision, along with growth in base and reduced relief awards, particularly Retail, Hospitality and Leisure Relief due to relief refusal and the national cap limiting eligibility; this was offset by an increase in appeal provision reflecting the increase in appeals received by the VOA in March 2023;
- An estimated surplus of £2.8m relating to 2023/24 that was declared at the end of January 2024 reflecting a growth in base, partially offset by an increase in mandatory reliefs, primarily empty relief.

Business Rates Section 31 Grants

6.22 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
- Retail, Hospitality and Leisure Relief which provide 75% discount with national caps;
    - Supporting Small Business Relief which caps the 2023/24 increase in rates bill for small businesses to £600 per annum.

6.23 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 Nine: Forecast Business Rates Grants

	2023 / 24 £'000	2024 / 25 £'000	2025 / 26 £'000	2026 / 27 £'000
Multiplier Cap 2021/22	58,367	65,657	67,537	69,378
Small Business Rates Relief	16,855	18,595	18,036	18,376
Supporting Small Business	2,449	3,485	2,809	67
Extended Retail Discount / Nursery Relief	39,556	42,689	0	0
EZ Relief (100% retained)	203	122	138	113
Adjustment to Top up/Tariff in relation to multiplier cap	(29,834)	(34,569)	(31,621)	(32,311)
Total Business Rates Grants	**87,597**	**95,980**	**56,898**	**55,622**

Enterprise Zones

6.24 Enterprise Zones (EZ) are part of the Government's wider Industrial Strategy to support businesses and enable local economic growth. The first 24 Zones were launched in 2012 and a further 24 new Zones were created in 2016 and 2017.

6.25 The Council continues to facilitate four EZs where growth above the prescribed baseline is retained locally for 25 years and excluded from the system reset. EZs offer business rate relief for up to 5 years, simplified planning and capital allowances (tax relief) that aims to encourage new businesses to locate within the area.

6.26 The cost of relief awarded to qualifying businesses within the EZ is reimbursed by Government. These amounts reduce annually as businesses' entitlement expires after 5 years from locating into the zone, provided this is within the first 5 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 can no longer access this relief.

6.27 The estimate for 2024/25 anticipates that there will be growth above the EZ baseline in the Manchester Science Park, Manchester Foundation Trust and Manchester Airport City. Growth in the Science Park and Foundation Trust 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 GMCA (in place of the Local Enterprise Partnership) for reinvestment.

Investment and Growth Zones

6.28 From 2024/25 there will also be one Investment Zone, ‘The Manchester Smile’, and one Growth Zone, ‘City Centre North East’ in the Council’s boundary. These form part of the Greater Manchester Trailblazer Deal and like EZs growth above a preset baseline will be retained locally for 25 years and excluded from the system reset. Unlike EZs, no tax incentives will be offered to businesses, but Government will provide GMCA with £160m of funding over 10 years to be applied GM wide in line with Investment Zone policy.

6.29 There is no estimated growth above baseline in 2024/25 for the Investment or Growth Zone.

Council Tax

Council Tax Base

6.30 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 2024. 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.

6.31 This is adjusted for discounts and exemptions, such as single occupancy, unoccupied houses, various disregards and student exemptions. A further reduction is made to reflect Council Tax Support claimants. In 2024/25 the Council Tax Support Scheme will offer support for working age households up to a maximum 85.0% of council tax due. This is an increase of 2.5% from the 2023/24 level of 82.5%.

6.32 Under the Levelling Up and Regeneration Bill from 1 April 2024 authorities can apply a 100% premium on unoccupied and unfurnished properties after one year, updated from two years. This is also included in the 2024/25 tax base and is estimated to generate an additional £0.8m.

6.33 Under the same bill, from 1 April 2025 authorities are permitted to apply a 100% premium to unoccupied and furnished properties, including second homes. This is estimated to generate an additional £3.6m per annum.

6.34 The forecast council tax collection rate is 96.5% in 2024/25, and an increase in the council tax base of 2.0% is forecast reflecting housing growth within the city. This brings an additional £5.6m income.

Council Tax Collection Fund Surplus / Deficit

6.35 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 2023/24 on 15 January 2024.

6.36 The Council's share of the 2023/24 declared Council Tax surplus is £1.8m. This is made up of two elements as follows:

- A reduced surplus of £2.4m relating to 2022/23 which represents the difference between the Council's share of the estimated deficit for 2022/223, declared in January 2023; compared to the outturn position as at 31 March 2023. The movement was mainly due to backdated property exemptions applied in the last quarter.
- An estimated surplus of £4.1m relating to 2023/24 that was declared at the end of January 2024. This surplus relates to an increased taxbase following delivery of new homes, above that forecast, with a greater proportion of properties being delivered in higher bands; reduced CTSS numbers, largely driven by a reduction in those of working age; and a review of outstanding arrears and credits.

Council Tax Precept

6.37 The Finance Settlement set out the maximum increases that can be applied to 2024/25 council tax without referenda. These are:

- Council element – 2.99%
- Adult Social Care – 2.00%
- Police and Crime Commissioner - £13 on a Band D bill
- Fire and rescue – 2.99%
- 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 £6.5m
- Social Care Precept – the Spending review also confirmed an Adult Social Care precept of 2%. This will generate an additional £4.4m

6.40 The Council is intending to take maximum precept increase of 4.99%. The table below shows the proposed increases for Bands A and D, and includes the proposed increase for the Mayoral General precept (including Fire and Rescue) and the Mayoral Police and Crime Commissioner precept.

Table Ten: Proposed Council Tax increase from 2023/24 to 2024/25

	2023/24 C'Tax	2024/25 C'Tax	Proposed Increase	Increase per week

	£	£	£	%	£
Manchester City Council - Band D	1,969.50	2,068.25	98.75	5.01%	1.90
Manchester City Council - Band A	1,312.99	1,378.83	65.84	5.01%	1.27
Band A receiving CTS at 82.5% plus CTS Fund of £25 in 2023/24, compared to 2024/25 at 85.0%	204.77	206.83	2.05	1.00%	0.04

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

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

	2023 / 24 £'000	2024 / 25 £'000	2025 / 26 £'000	2026 / 27 £'000
General rate Increase	6,066	6,529	6,992	7,488
Adult Social Care Increase	4,057	4,367	4,677	5,008
Change to assumed collection rate	1,911	(195)	(166)	(178)
Increase to Tax Base	4,247	5,572	4,752	5,088
			3,600	3,600
Changes to annual surplus / deficits:				
20/21 Estimated Council Tax deficit - spread over 3 years (Year 2)	137			
20/21 Final Council Tax surplus	(3,457)			
21/22 Estimated Council Tax surplus	(8,939)			
20/21 Estimated Council Tax deficit - spread over 3 years (Year 3)	(137)	137		
21/22 Final Council Tax surplus	783	(783)		
22/23 Estimated Council Tax surplus	4,335	(4,335)		
22/23 Final Council Tax surplus		(2,375)	2,375	
23/24 Estimated Council Tax surplus		4,149	(4,149)	
Total Increased Council Tax	**9,003**	**13,066**	**18,080**	**21,006**

* It is assumed the referendum limit remains at 4.99% over the medium term plan

Council Tax Support

6.42 There are currently over 47,500 households in receipt of Council Tax support. The 2023/24 level of Council Tax Support (CTS) was up to a maximum of 17.5% of a resident's council tax bill. Following consultation this offer has been enhanced to 85.0% for working aged claimants in 2024/25, meaning only 15% is payable.

Grants and other External Funding

6.43 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 for local government, with over 200 different grants now supporting overall local government revenue budgets, with little certainty over their future beyond the spending review period.

Table Twelve: Non Ring-Fenced Grants and Contributions

	2023 / 24 £'000	2024 / 25 £'000	2025 / 26 £'000	2026 / 27 £'000
Better Care Fund (Improved)	31,748	31,748	31,748	31,748
Children's and Adult's Social Care Grant	50,695	65,773	60,218	60,218
Market Sustainability and Fair Cost of Care Fund	10,298	11,664	11,664	11,664
Adult Social Care Discharge Fund	4,451	7,420	7,420	7,420
2022/23 Services Grant	7,230	1,248	0	0
New Homes Bonus Grant	6,637	4,109	0	0
Loan Income from Airport	6,913	7,913	1,000	1,000
Contribution from MHCC	4,000	4,000	4,000	4,000
Education Services Grant	1,055	955	955	955
Housing Benefit Admin Subsidy	2,514	2,514	2,514	2,514
Care Act Grant - Prison only from 16/17	95	95	95	95
Settlement Risk				
Proposed share of waste rebate	4,858	5,468	0	0
Settlement risk	0	0	(15,000)	(15,000)
Total Non Ring-fenced Grants	**130,494**	**142,907**	**104,614**	**104,614**

6.44 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 2024/25 this grant retained the same distribution and quantum as 2023/24 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 £1,192m in 2024/25. This increase reflects a Social Care Grant increase of £1,032m, up £500m from the provisional settlement for 2024/25 only, and an additional £160m to help equalise the impact of the distribution of the adult social care council tax precept. However, the Social Care grant continues to be only partially equalised and Manchester's 2024/25 allocation is **£65.773m.**
- **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 increased nationally by £283m to £845m, with £205m of the Workforce Fund rolled into the grant, to increase the national grant to £1.050bn. This funding is distributed on the ASC Relative Needs Formula and the Council's 2024/25 share is **£11.664m**.

- **Adult Social Care Discharge Fund** – Announced in the Autumn Statement 2022 this was worth £300m nationally. In 2024/25 an additional £200m has been provided increasing the grant to £500m. This grant funding ensures 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 2024/25 is **£7.420m**
- **Services Grant** - This is the third year of unringfenced allocations of Services Grant. Whilst authorities were anticipating a reduction in the quantum of this grant in 2024/25, a reduction of this size was not expected and the grant reduced nationally by £395.9m (81.9%), from £483.3m to £87.4m. The Council's share is **£1.248m**
- **New Homes Bonus (NHB) Grant** – NHB was introduced in 2011 to provide an incentive for local authorities to encourage housing growth and is paid annually from a top slice of RSG. The Government has proposed a new round of NHB payments in 2024/25 which will not attract new legacy commitments in future years. The national allocations for 2024/25 remains the same as 2023/24 and will be funded through a £291m top slice of RSG. The methodology will remain the same as in previous years with payments calculated on new housing and houses brought back into use (above a baseline of 0.4%), multiplied by the average band D council tax bill, with an additional payment made for affordable homes. The Council will receive **£4.109m.** The Government has consulted on a replacement for NHB and it is not expected to continue into the next Spending Review.
- **Loan Income of £7.913m** - 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 £0.955m -** 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.
- **Care Act Grant £95k** - Funding allocations for adult social care duties since 2016/17
- **Proposed share of Waste rebate of £5.468m –** This reflects the return of waste reserves from the Greater Manchester Combined Authority, with a total of £37m returned to Greater Manchester authorities reflecting the reserve surplus.
- **Settlement risk -** This is a local adjustment to resources to recognise the risk around the redistribution of resources following funding reforms. An estimated adjustment of **£15m** 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.

6.45 **Public Health Grant** is not reflected in the table above as due to the 100% Business Rates retention scheme this is met from retained business rates. The 2024/25 allocation is £57.8m.

6.46 Social Care grants will total almost £117m in 2024/25, at 14.4% of the net resource budget. These are not guaranteed beyond this Spending Review Period.

6.47 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 2024/25 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 Thirteen: Specific Government Grants within Directorate budgets

Directorate Government Grants	**Revised 2023/24**	**2024/25**
	£'000	**£'000**
Children and Young People	454,888	461,834
Adult Social Care	4,642	2,658
Public Health	4,489	7,650
Neighbourhoods	18,605	14,290
Growth and Development	9,256	9,256
Corporate Core	167,434	167,396
Total Directorate Grants	**659,314**	**663,084**

Use of Reserves

6.48 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 £29.4m in 2024/25. Of this almost £17m relates to Budget smoothing, £6.4m supporting the transport levy and £1.3m supports the delivery of the adult social care new care models. 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.

6.49 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

6.50 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

6.51 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 Fourteen: Levy Payments and Payment to GMCA

	2023 / 24 £'000	2024 / 25 £'000	2025 / 26 £'000	2026 / 27 £'000
GMCA - Waste Disposal Authority	30,632	31,809	33,059	34,669
Transport Levy	39,076	40,289	41,901	43,577
Statutory Charge to GMCA	0	0	3,481	0
Environment Agency	258	258	258	258
Port Health	94	96	96	96
Net Cost of Levies	**70,060**	**72,452**	**78,795**	**78,599**

6.52 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 2024/25 levy costs will increase by £1.2m inclusive of changes in costs, recycling rates and market prices for recyclates and energy. Any return of reserves will be separate to the total figure outlined in table 11.

6.53 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 3.2% for 2024/25 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.

6.54 The ten GM authorities have committed to contributing toward the GM Mayors bus franchising policy, and bus reform. The £3.481m in 2025/26 reflects the council's contribution for this.

Contingency

6.55 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

6.56 The capital financing budget of £43.926m is to cover the costs of borrowing. For 2024/25 this includes:

- Costs of £91.5m as follows:
    - Interest costs of £51.0m,

  - Minimum Revenue Provision (MRP) of £40.2m, 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 £0.3m, and
- Partly offset by:
  - interest receivable of £46.2m; and
  - Contribution from capital financing reserve of £1.4m

6.57 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 £793m for the three year period up to and including 2027/28, based on the current approved capital programme. To avoid the additional capital financing costs of thisbecoming 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 the required borrowing is drawn down. These funds increase the overall financing capacity of the programme and are committed as part of that programme.

6.58 The approach outlined above ensures that the levels of actual and planned borrowing to support the capital programme remain proportionate and affordable to the net revenue budget. The planned borrowing can be met from within the capital financing budget and planned drawdowns from the capital financing reserve. 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

6.59 The planned transfers to reserves total £1.335m in 2023/24 and £8.968m in 2024/25. The 2023/24 transfer approved last year relates to the 2020/21 Council Tax surplus of £1.335m which was transferred to the Capital Fund reserve to support measures which contribute to the economic growth of the city. The £3.5m in 2024/25 is to top up the General Fund to maintain the reserve at a reasonable level as the forecast 2023/24 overspend will need to be met from the General Fund Reserve. In addition, the Waste levy rebate of £5.468m will be transferred to the smoothing reserve to support the budget in future years, in line with the principle of using one-off funds over a number of years to support resilience.

6.60 A full breakdown of available reserves and their forecast use is shown is included at Appendix 5 to this report.

Allowances and Insurances

6.61 Additional **allowances for former staff and teachers' pension costs,** total £8.497m in 2024/25. 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.

6.62 **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

6.63 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 Fifteen: Inflationary pressures and budgets to be allocated

	2023 / 24			**2024 / 25**	**2025 / 26**	**2026 / 27**
			£'000	**£'000**	**£'000**	**£'000**
Non Pay Inflation	1,041	9,497	14,300			19,300
Pay Inflation	0	11,100	22,400			34,100
Apprentice Levy (0.5%)			1,060	1,092	1,124	1,158
Utilities Reductions			0	(4,000)	(4,000)	(4,000)
Cross Cutting Savings			0	(332)	(332)	(332)
Total			**2,101**	**17,357**	**33,492**	**50,226**
Year on year Impact			**2,101**	**15,256**	**16,136**	**16,734**

6.64 Inflation has been reducing throughout 2023/24 and the following provisions have been made within the draft Revenue Budget:
- Non pay inflation- this is to cover contracted inflationary increases as well as inflationary pressures in areas such as internal foster care and external residential placements within Children's services.
- Pay inflation – a 4% increase has been provided for at a cost of £11.1m
- Utilities reduction- A new electricity contract was awarded October 2023 at reduced rates and the gas contract will be awarded in April 2024. This £4m reflects the forecast cost reductions, directorate budgets will be updated to reflect
- cross cutting savings of £332k relating to sustainable working, travel and other reductions, these will come from directorate budgets with amounts confirmed and reported back to Executive in the new financial year.
- Apprenticeship levy - this is payable as 0.5% of the annual pay budget.

Directorate cash limit budgets

6.65 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 approved savings and 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 2023/24 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 Sixteen: Change from 2023/24 Cash Limit budget to 2024/25 Cash Limit budget

Service Area	**2023/24 budget £'000**	**Investment / Pressures £'000**	**Savings £'000**	***Change to budget £'000***	**2024 / 25 budget £'000**
Adults Services	**219,666**	35,628	(7,855)	*27,773*	**247,439**
Public Health	**43,266**	1,765	(15)	*1,750*	**45,016**
Childrens Services	**143,806**	18,719	(6,142)	*12,577*	**156,383**
Neighbourhoods	**139,225**	3,977	(3,211)	*766*	**139,991**
Corporate Core	**109,617**	4,277	(1,359)	*2,918*	**112,535**
Growth and Development	**(11,395)**	0	(1,460)	*(1,460)*	**(12,855)**
Proposed directorate budget	**644,185**	**64,366**	**(20,042)**	**44,324**	**688,509**
Corporate budgets and inflation	**97,891**	25,447	(1,332)	*24,115*	**122,006**
Total Proposed budget	**742,076**	**89,813**	**(21,374)**	**68,439**	**810,515**

6.66 Full details of proposed directorate 2024/25 to 2026/27 Savings and Investments can be found in Appendix 2 - Savings Proposals and Appendix 3 - Growth and Investment.

Children's Services

6.67 Overall, the Children's net budget will increase **by £12.577m to £156.383m.** The changes include:

- Proposed savings of £6.242m include:
  - Savings previously approved – £3.920m and £100k full year effect Early Years saving.
  - Savings proposed as part of 2024/25 Budget Setting – These total £2.222m, including £2m for measures which will manage demand on the budget rather than being cuts in services. Workforce saving £222k.
- Demographic Growth £2.419m - 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 £16.4m to address pressures including;
  - £1.860m Home to School Transport, increase in Education, Health, Care plans has led to increased number of children eligible. Full year effect of cost September 2023 price increases are estimated to be £560k.

- External Residential Growth - due to shortage of fostering households, coupled with the range of children's needs there has been a shift towards high-cost external residential placements. The cost of high-cost residential placements has increased by 47% 2023/24.
- Unaccompanied Asylum Seeking Children - The presentation of UASC children now make up over 0.07% of the total child population, indicating that as a Local Authority we are supporting a higher number of UASC. There is currently a substantial shortfall between the funding local government receives and the actual cost.
- £1.440m price inflation funding for minimum increase in foster care allowances reflected by 6.8%.
- £100k School Condition Surveys.

Adult Social Care

6.68 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 2024/25. Overall, the planned contribution to the aligned budget will increase by **£27.773 to £247.439m** for Adult Social Care. The S75 agreement will be updated accordingly.

6.69 Proposed changes to the Adult Social Care 2024/25 budget include:

- Investment and pressures of £35.628m reflects:
  - Demographic growth and grant funding of £17.425m
  - Additional Investment and Pressures of £18.203m, note this includes £31.603m of pressures part offset by £13.4m of directorate mitigations.
- Savings of £7.855m including £1.2m previously approved and new savings proposed as part of the 2024/25 budget process totalling £6.655m

6.70 Funding for Pressures and Growth approved last MTFP £17.425m includes;

- £8.715m to fund the increase as part of the Council's commitment of funding care providers to pay the Real Living Wage to care staff.
- Demography and Transitions £2.636m, expected impact of population growth and changes on flow into Adult Social Care. Including children moving to adult social care support.
- Market Sustainability Improvement Fund Grant increase of £3.105m (£6.243m in 2023/24 rising to £9.348m) to address: discharge delays; social care waiting times; low fee rates and workforce pressures.
- Adult Discharge Fund increase of £2.969m (£4.451m increasing to £7.420m)

6.71 New pressures and investment £31.603m identified 2024/25 budget setting ;

- £22.312m to fund the projected increase in long term care placements, including the full year impact of placements made in 2023/24

- £3.030m increased demography impact expected from updated DAS budget model
- £3m additional transitions demography for children moving into adult social care
- £3.5m price inflation towards care fee uplifts
- £1m Mental Health investment
- £0.5m additional funding for the Commissioning, Contracting and System Hub
- £1.779m reduction in market sustainability workforce fund grant (from £4.055m to £2.276m). The grant will continue to support an improvement programme focused on strengthening statutory duties, managing demand and delivering the savings programme.

6.72 £13.4m of additional funding and repurposed budget has been applied to support the above pressures and investment requirements as detailed below,

- Use of grants and the better care fund allocation £2.6m;
- Expected growth in client contributions £2.5m, in line with the growth in client numbers and the increased care fees. A proportion of the additional costs will attract a contribution from clients who are assessed as being able to contribute to their costs of their care;
- Use of demographics budget allocation £4m;
- A specific price inflation allocation £2m; and
- Release of pre 2023/24 budget held for backdated care cost uplifts £2.3m on the basis all material liabilities have now been addressed.

6.73 Savings proposed of £8.855m are grouped into key themes as follows;

- £1.2m approved in February 2023, mainly relating to Increased opportunity from Reablement, TEC and therapy to improve independence.
- Moving and Handling pilot £1.5m, reducing the need for double cover in homecare packages
- To secure supply, the Council is having to pay above framework rates. The 2024/25 uplift to care fees (funded separately) is expected to significantly negate the current £1.2m spend on top ups to fee rates
- Vacancy factor increase of £1.1m (non recurrent)
- Client numbers and Discharge to Assess (D2A) Pathway £1m, ensuring hospital discharges are made on the most appropriate pathway and a review of the care assessment process to ensure those eligible for care have their needs met.
- Other homecare and direct payments initiatives £0.8m
- Additional client income through correction to system configuration allowing accurate billing of care in block contract and extra care arrangements (£0.5m);
- New business rules have been introduced by practice to more effectively manage one-to-one support in care homes (£0.3m) and ensure on-going support is reviewed regularly
- Additional workforce savings £255k to be met from a reduction in long term vacant posts

Public Health

6.74 The public health settlement has been received for 2024/25, a 2.2% increase totalling £1.265m. The Public Health 2023/24 net budget will be increased by £1.750 to **£45.016m.** New investment Provision has been made for inflationary price increases and potential pay award costs of £0.5m.

6.75 There is a minor additional vacancy savings allocation of £0.015m for 2024/25. Planned non recurrent use of reserves in 2023/24 of £0.330m is replaced in 2024/25 with the planned use of headroom in the budget set aside for contract uplifts as detailed in the report to Health Scrutiny February 2023.

6.76 Investment of up to £2.989m 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

6.77 The Core budget will increase by **£2.918m to £112.535m**.

6.78 New Pressures and Investments total **£4.277m** as follows:

- Pressures approved last MTFP £0.783m, the majority of which relates to Ongoing costs of ICT hardware refresh post roll out of EUD
- £0.905m operational property reversal of time limited saving
- £3m ICT investment of which £2m is to support the change in funding to implement cloud projects and associated subscription costs. £1m reduced capacity to capitalise ICT staffing costs and fund resources to support ICT digital priorities
- £290k to meet the costs of higher external audit fees.
- £69k increase in AGMA related costs which are funded through a levy payment to the GMCA
- These increases are partly offset by a virement of £0.770m to the Council Tax budget to fund proposed changes to the scheme which as approved by Executive in January 2023. The changes followed a consultation exercise and include:
  - Increase the maximum CTS award from 82.5% to 85% for working age households;
  - Adjust the universal credit excess income bands upwards by 2.5% to maintain parity with the 85% maximum award; and
  - Extend the maximum backdating period from 6 months to 12 months.

6.79 Savings of **£1.359m** as set out in Appendix 2 to this report as follows:

- £677m savings previously approved split between Future Programme savings £472k and general housekeeping savings £205k
- Additional income of £130k (£50k from increased vehicle clamping income and £80k from increased registrars income).

- Savings of £286k through deletion of 8 long term vacant posts
- £266k following a review of sales fees and charges.

Neighbourhood Services

6.80 The Neighbourhoods Services cash limit budget has increased by £0.776m to **£139.991m**. The main changes include:

6.81 Budget savings and reductions of £3.211m including:
- £2.205m savings already approved, including £2.070m for Homelessness Demand reductions in Emergency and Temporary Accommodation Placements
- £568k from the review of sales, fees and charges
- £200k additional income generation from the advertising contract
- £198k from a review of workforce structures and capacity alongside an assessment of the ability to fill longstanding vacant posts
- £40k temporary suspension of the annual contribution to the security measures for the Christmas Markets whilst Albert Square is unavailable

6.82 Additional budget investment of £4m for:
- £1.177m increase to the waste levy charge paid to GMCA
- £1m to meet likely additional demand in the Homelessness budget
- £1m to offset the loss of Christmas markets income while Albert Square remains closed
- £0.9m additional funding for waste and street cleaning so the rising demand from the growing population can be met

6.83 In addition, the 2024/25 Neighbourhoods gross budget reflects an annual £2m contribution from the Capital Fund to support the events commission, this will be funded through the growth in retained business rates. The proposed City Council resources will be supplemented by other city partnership funding that will be part of the whole events commission budget and managed by the City Council.

Growth and Development

6.84 The Growth and Development directorate has a 2024/25 net income target of **£12.855m**, an increase of £1.460m from £11.395m in 2023/24. The main changes include:

- £170k savings previously approved relating to increased investment estate income from an annual increase in Manchester Airport Group rent
- £1m additional income investment estate reviews
- £266k review of sales, fees and charges
- £24k review of workforce structures and capacity alongside ability to fill longstanding vacant posts

6.85 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 Seventeen: Directorate budgets

	2023 / 24 Revised		2024 / 25	
	Net Budget	**Gross Budget**	**Net Budget**	**Gross Budget**
	£'000	**£'000**	**£'000**	**£'000**
Children Services	143,806	607,129	156,383	631,740
Adults Services	219,666	285,023	247,439	314,972
Public Health	43,266	54,126	45,016	55,684
Corporate Core	109,617	333,586	112,535	333,940
Neighbourhoods (Incl. Highways)	108,593	248,834	108,182	247,543
Growth and Development	(11,395)	37,860	(12,855)	38,236
Total	**613,553**	**1,566,558**	**656,700**	**1,622,115**

Fees and Charges

6.86 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.

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

Reserves

6.88 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.

6.89 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

6.90 The only unallocated reserve is the General Fund Reserve, expected to be £19.6m at the end of 2023/24 if the current year overspend remains at the forecast £5.5m. The 2024/25 budget proposals include topping back up the general fund reserve by £3.5m to bringing the forecast balance to £23m. This reserve 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.

6.91 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 £29m in 2024/25. Of this £13m is from the airport reserve, £1.3m for New Care Models, £2m to support anti poverty and £8.3m supporting the transport levy. The breakdown is shown in the table below, the full detail is shown in the reserves strategy which is appendix five to this report.

6.92 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 2024/25 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.

6.93 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 Eighteen: Forecast use of reserves

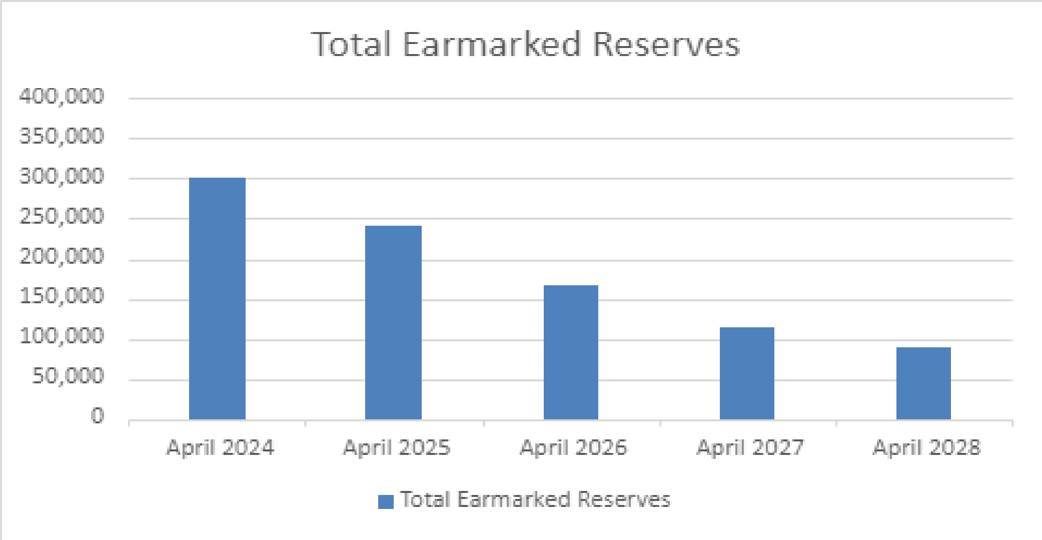
	2023 / 24	**2024 / 25**	**Spend supported by the reserve**
	£'000	**£'000**	
Reserves directly supporting the council wide revenue budget:			
Airport Dividend reserve	1,073	13,116	The balance of £14.2m has been applied to support the MTFP budget in 2023/24 (£1.1m) and 2024/25 (£13.1m).
Budget Smoothing Reserve	0	3,742	Created through underspends in precious years as reported through Executive and from transfers from other reserves following a full review. It has been applied across the next four years to reduce the requirement for savings and smooth the funding cliff edge until the future funding position becomes clearer.
Business Rates Reserve	7,166	0	Business rates relief provided over the pandemic and funded by Government. Applied to offset Collection Fund deficit in arrears.

	2023 / 24	2024 / 25	Spend supported by the reserve
	£'000	£'000	
Use of St Johns growth reserve to support revenue budget	1,156	830	Growth in business rates income in the St Johns footprint, used to support the budget
Use of reserves to contribute to the cost of Anti Poverty measures	0	2,000	Contribution to the additional £3.5m support which has been provided to support residents through the Cost of Living crisis
Contribution to GMCA relating to bus reform	0	0	£3.5m contribution to GMCA relating to budget reform. Note this is funded from rebates previously received from GMCA.
Use of Smoothing reserve to fund Adult Social Care budget for New Care Models	1,300	1,300	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.
Use of Bus Lane and Parking reserves reserve to support transport levy	6,392	8,392	This includes the continuation of £6.3m a year agreed in previous years, an additional contribution from annual trend growth and £1m from 2024/25 increasing to £2m 2025/26 funded through forecast income from moving Traffic offences.
Sub Total	**17,087**	**29,380**	
Ring-fenced Reserves outside the General Fund:			
HRA Reserves	11,814	25,675	HRA reserves are ringfenced – not available to support Council position. Significant balance to support future capital investment, including Carbon reduction and increased housing provision. The HRA must balance in year, and work is ongoing to identify sufficient savings to ensure this is the case. Much of the reserve will be used during this period.
School Reserves	0	0	Ringfenced – School balances not available to support the Council position. The expected 22/23 drawdowns are based on returns from schools.
Sub Total	**11,814**	**25,675**	
Other Earmarked reserves:			
Statutory Reserves	8,179	6,597	Can only be used for specific purposes under statute e.g. Bus Lane Enforcement and on street parking income which support costs associated with transport provision and highways / environmental improvements. Some of the reserve funds the free bus from Piccadilly and the Transport levy.
Balances Held for PFI's	65	198	Held to meet costs across the life of the PFI schemes
Managing economic and commercial risks	5,890	7,166	These reserves help manage annual fluctuations in income including planning, investment and licencing. 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.

	2023 / 24	2024 / 25	Spend supported by the reserve
	£'000	£'000	
Capital Fund Reserve	40,708	14,117	Contribution to schemes which are supporting employment and growth, future carbon reduction investments and high priority strategic development opportunities in the city.
Investment Reserve	1,873	2,047	This reserve is in place to support regeneration projects. The proposed use includes funding for staffing posts in Strategic Housing, Major Regeneration, the Investment Estate, and City Centre Regeneration
Manchester International Festival Reserve	2,659	1,000	To fund agreed contributions to Factory International
Eastlands Reserve	4,389	4,050	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	2,103	2,917	The refurbishment of the Town Hall, which is included within the Capital Programme Budget will also have revenue implications such as the cost of financing capital, alternative accommodation costs, and loss of income over a number of years; offset in part by reduced spend on maintenance and utilities
Enterprise Reserve	99	102	Enterprise Zone reserve which will fund EZ Manager post and activities to attract businesses to the zone
Highways Commuted Sum	89	89	Highways Commuted sums contribute towards future maintenance
Other reserves held to support delivery and risk of the Medium Term Financial Plan	7,332	3,534	Includes funding for to drive the delivery of Our Manchester; (for example through providing Voluntary Sector Grants) and Supporting Families reserve to support the Thriving Families initiative, a whole family, strengths-based approach to child protection.
Reserves held for accounting purposes	6,672	4,069	Relates to grants received - under accounting standards these must be held in a reserve to move between financial years.
Making Manchester Fairer	2,089	900	To provide capacity to fund the kickstarter schemes supporting the Making Manchester Fairer ambition
Adult Social Care Reserve	5,264	2,449	To support Adult and Social Care Improvement Plan
ICT Investment Reserve	1,914	16,866	To support ICT Digital Strategy
Other Specific Reserves	2,562	4,448	Includes Community Safety, Primary School Catering and Social Value Fund
General Fund	6,206	0	Forecast drawdown of General Fund reserve
	127,494	**126,103**	

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

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



7. Medium Term Outlook

7.1 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.

7.2 £117m or 14.4% 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.

7.3 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.

7.4 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.

7.5 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.

7.6 In addition, from April 2017, Manchester, along with the other nine 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 £18m benefit from partaking in the pilot. The rates retention pilot will cease at the end of 2023/24, and from 2024/25 it will be replaced by the Greater Manchester Trailblazer Deal which secures the 100% retention scheme for all 10 Greater Manchester authorities for a further 10 years, to 2034/35.

7.7 Review of New Homes Bonus – A further one year extension of the scheme was announced for 2024/25. From 2025/26 the scheme could be revised or ended completely with funds added back to Settlement Funding Assessment.

7.8 Officers have estimated the scale of the funding gap at £28.7m in 2025/26 and £40.6m in 2026/27. 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 2028/29 also leaves the City Council in a weaker financial position unless continued proactive action is taken.

7.9 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 2023/24 and 2024/25 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 2024/25. 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 shock or downturn in the economy. A thorough review of the Collection Fund has been carried out as part of the budget setting process 2024/25 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 2024/25	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.

Risk	Mitigation
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 2025 will be £23m. 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 2024/25 opening balance of £93m for the HRA, £17m for Schools, and £284m 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 as shown in the appended reserves strategy considerable drawdowns are planned ove rthe next two years. 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, and does not invest purely for yield. External advice is taken on investments as required and the Council does not normally make strategic investments outside of the local authority boundary.

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 2024/25 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 Appendix 5 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 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 quarterly Integrated Monitoring to SMT also includes an assessment of the key financial risks and mitigations, linking financial and performance data.

10.14 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 2016 – 2025 and the Our Manchester Strategy Forward to 2025 ambitions. Stakeholders are invited to develop the next Our Manchester Strategy by completing the Our Manchester 2025-2035 survey which is open until 31 May 2024.

10.15 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 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.

10.16 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

10.17 The Scrutiny Committee meetings on the 6-7 February 2024 reviewed the budget proposals within their remit. The Resources and Governance Scrutiny Committee will meet on 26 February 2024 to look at the overall budget proposals and receive comments from other scrutiny committees prior to the Budget going to Budget Council 1 March.

10.18 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 Nineteen: Scrutiny Reports

Date	Meeting	Services Included
6 Feb 24	Communities and Equalities Scrutiny Committee	Sport, Leisure, Events Libraries Galleries and Culture Community Safety Housing Operations including Homelessness Neighbourhood teams
6 Feb 24	Economy and Regeneration Scrutiny Committee	City Centre Regeneration Strategic Development Housing and residential growth Planning, Building Control, and licensing Investment Estate Work and skills Highways
7 Feb 24	Health Scrutiny Committee	Adult Social Care Public Health
7 Feb 24	Children and Young People Scrutiny Committee	Children and Education Services
8 Feb 24	Resources and Governance Scrutiny Committee	Chief Exec Corporate Services Revenue and Benefits / Customer and Welfare Support Business Units
8 Feb 24	Environment and Climate Change Scrutiny Committee	Waste and Recycling Parks Grounds maintenance Compliance

Equalities Duties

10.19 In considering the budget for 2024/25 the Council must also consider its ongoing duties under the Equality Act 2010 and the Public Sector Equality Duty. It must have due regard to the need to; eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act, advance equality of opportunity between people who share a protected characteristic and those who do not & foster good relations between people who share a protected characteristic and those who do not.

10.20 Having due regard for advancing equality involves: Removing or minimising disadvantages experienced by people due to their protected characteristics and their intersectionality, taking steps to meet the needs of people with protected characteristics where these are different from the needs of the general population, encouraging people with protected characteristics to participate in public life or in other activities where their participation is disproportionately low.

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 people with protected characteristics or priority groups within the city. The completion of equality analyses, to assess the implications of the business planning process for people with protected characteristics or priority 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 EIA template was amended in 2024 to streamline the process and allow for swift decision-making whilst retaining due regard for equality. The Council took the opportunity to add several priority groups to the template, in addition to those protected by the Equality Act 2010 (the Act). These additional priority groups 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 priority groups are:

- Carers
- Care experienced people and care leavers
- Current and former Armed Forces personnel and their families
- People experiencing homelessness
- People living in poverty

10.23 The inclusion of people living in 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 EIA 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 Each saving option that was approved last year was supported by a robust business cases where consideration was been given to how the savings could impact on different protected or disadvantaged groups. Where applicable proposals were be subject to completion of an Equality Impact Assessment (EIA) and a Poverty Impact Assessment as part of the detailed planning and implementation. The Council have recently introduced new Data Monitoring Standards which have been designed to provide an insight into our local and staff populations, and to recognise whether the work we do is accessible and effective for all our staff and residents.

10.25 The budget setting process is also being further integrated with the Council's Corporate Plan and Business Planning process. The work that will be carried out on individual business cases will be complimented by work to consider the collective impact of the options proposed and how the overall budget changes will impact on equalities, poverty and ultimately our residents. 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 ran from 31 October until 27 December 2023. The provisional results from the consultation will be reported to Executive on 14th February 2024. The full analysis and results, alongside comments from scrutiny committees, will be reported to the Budget Scrutiny meeting on 26 February 2024 to ensure they are fully considered before the final budget is set.

11.2 None of the budget options set out to date 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.

12.2 In common with the rest of the sector the Council's finances continue to be under pressure, with high levels of inflation and rising demand for services continuing to outstrip the level of resources available. The resilience of the Council has been eroded by the impact of over a decade of austerity. The Council is only in a position to set a balanced budget for 2024/25 due to the careful long-term financial planning which has involved taking some difficult decisions, including £36.2m of savings agreed across 2023-26 and the use of £53.2m of reserves to support the budget deficit during the same period.

12.3 Despite this, a significant and growing budget gap remains from 2025/26 and urgent action is required to address it. There is no sustainable long term funding solution for Local Government. Further difficult financial decisions will need to be taken in 2025/26 and 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 £29m in 2025/26 increasing to £41m in 2026/27. 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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Executive 14 February 2024
Medium Term Financial Strategy and 2024/25 Revenue Budget

Appendix 1:

Manchester City Council Summary Business Plan 2024/25

Theme 1: Inclusive economy where every resident shares in the prosperity of our growing economy

Create a resilient and sustainable economy that is thriving, creates great opportunities and increases social mobility for our residents, attracts the best talent, has excellent national and international transport connections, and is resilient to future shocks.

Priority: Use investment and development to drive inclusive growth by maximising the scale, quality, and density of schemes in the city centre and surrounding areas. Ensure that large-scale developments outside the city centre include economic assets to help neighbourhoods to thrive.

Activities:

Successfully deliver "Investing in success: An Economic Strategy for Manchester" which aims to ensure that the city's economy is high performing and more inclusive.

Protect the unique economic function of the city centre as Greater Manchester's productive core by taking a place-based approach to commercial and residential development, complemented by appropriate amenity and public space. Ensuring that new developments in the city centre maximise their economic potential in terms of scale, quality and density.

Maintain Manchester's position as the most attractive UK destination for foreign direct investment outside of London and increase the volume of investment into Manchester to expand the business base and provide a range of high-quality property types and employment opportunities.

Make best use of Manchester City Council and other public sector land assets to drive and anchor new development.

Ensure that large-scale redevelopment projects outside of the city centre include economic assets that help new and existing neighbourhoods to thrive, such as the Southern Arc area comprising Manchester Airport, Airport City, Wythenshawe Civic Centre and Wythenshawe Hospital, North Manchester and the Eastern Gateway.

Create a framework for new development to ensure all major projects become inclusive exemplars economically, socially and environmentally, both in construction and in their end use, including creating good-quality employment paying the Real Living Wage.

Priority: Create the economic conditions that nurture thriving, productive and innovative sectors that provide good quality jobs and pay for Manchester residents.

Activities:

Utilise levers and incentives (Investment and Growth Zones) to attract businesses and help them to engage with support including enhanced training/recruitment, infrastructure or networking.

Grow and promote knowledge-intensive sectors, such as AI, Cyber, FinTech and genomics through the expansion of Manchester's most innovative places, such as Airport City, and the Oxford Road Corridor including Manchester Science Park and ID Manchester.

Grow the city's tech and creative industries ecosystem, including providing good-quality and affordable work, production and collaboration space, such as at Enterprise City, Camfield's, the Manchester Digital Security Hub (DiSH) and Manchester Technology Centre.

Expand potential clusters of related businesses around North Manchester General Hospital and Wythenshawe Hospital.

Deliver our local levelling up priorities, including the Culture in the City Levelling Up Fund Round 1 project to 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.

Deliver the Strategic Regeneration Frameworks (SRFs) to underpin planned development, support job growth and opportunities for local people.

Work with Greater Manchester's inward investment promotion agency (MIDAS) and other partners, to attract inward investment into the city.

Work with developers and businesses to maximise apprenticeships, training, and job opportunities for local people, including through social value frameworks.

Increase the number of community and democratically owned businesses in Manchester.

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).

Priority: More Manchester residents and young people benefit from economic opportunities by tackling poverty, supporting people to live well and equipping them with the skills to succeed and access to good quality, secure work.

Activities:

Implement the Work and Skills Strategy 2022-27 to use learning and employment so more of our residents are benefit from our city's success.

Deliver the Anti-Poverty Strategy, the Making Manchester Fairer (MMF) Action Plan and labour market interventions to mitigate the impact of poverty and reduce the number of people experiencing poverty, given the effects of post covid pandemic and the cost-of-living crisis. This includes people who are economically inactive, in work on low incomes, young people, older people, people experiencing racial inequality, and disabled people including long term health conditions.

Develop integrated employment, health and wellbeing services for people who are out of work or at risk of being out of work due to physical or mental ill-health, through the MMF Kickstarter project.

Connect residents to opportunities created through investment via our approach to social value, working with other anchor organisations 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.

Continue to operate and invest in the Manchester Cost of Living Response group, ensuring that the most vulnerable residents are supported with the basics of food, shelter, and warmth.

Improve skills development required for businesses and support pathways for residents into those jobs through the Manchester Adult Education and Skills Plan, Adult Education Budget and Manchester Adult Education Service (MAES).

Strengthen partnerships with the private sector, to increase work placements, education and training opportunities for year 10/11 students and 16–17-year-olds.

Maximise the benefits of Aviva Studios Factory International as a major cultural, creative and technological hub, with the Academy and Factory Futures skills programmes delivering sustainable jobs and employment opportunities.

Priority: Develop world class infrastructure to attract new entrants into the city, support the visitor economy and provide safe, accessible transport connections for residents to access jobs and enable the city's economy to thrive.

Activities:

Provide excellent national and international connections via rail and air travel.

Develop a rail strategy for the city during 2024, as part of our overall infrastructure planning, working with TfGM, Network Rail and Transport for the North.

Advocate for the rail infrastructure to improve connectivity from Manchester to major cities in the North and Midlands. Work with TfGM and DfT to develop the proposals within Network North to maximise the benefits to the city.

Enhance the current rail network to improve people's day to day journeys and make it easier for residents to access job opportunities. Working with TfGM to implement the Bee Network to connect more people to employment and training opportunities via sustainable and active travel

Deliver the 2040 City Centre Transport Strategy to improve Manchester's city centre stations and improve connectivity and passenger experience for local residents and workers.

Deliver and raise the profile of Manchester's Digital Strategy 2026 and Smart Cities work.

Tackle digital exclusion so that our residents have access to online services and opportunities.

Support residents, neighbourhoods and businesses connect to local, national, and international markets through enhanced digital infrastructure.

Deliver the 2022 Green and Blue Infrastructure Plan to create great places for health and recreation, havens for wildlife and a backdrop for investment.

Refresh the Manchester Local Plan to include appropriate policies that links future infrastructure requirements to the planned key locations for development across the city. Ensuring that new development includes the right social, transport, energy and digital infrastructure.

Theme 2: Tackling climate change and create a healthy, green, socially just city where everyone can thrive

Lead delivery of the science-based target approach for Manchester to become a zero-carbon city by 2038 at the latest and remain within a carbon budget of 15 million tonnes of carbon for the period 2018-2100.

Priority: Deliver the Council's leadership role in reducing citywide CO2 emissions, using Council levers such as the development of the Local Plan, and planning for physical and green and blue infrastructure and adaptation and resilience. Influence city-wide partners to take urgent action and deliver specific Council owned actions within the Manchester Climate Change Framework.

Activities:

The Council will work with the Manchester Climate Change Agency and Partnership to deliver the Manchester Climate Change Framework (2020-25) 2022 Update.

Develop a new City Council Climate Change Action Plan for 2025-30 and deliver citywide actions to ensure progress towards decarbonisation of transport and buildings, and that the city adapts to future climate changes. This includes supporting the delivery of new low carbon housing and housing retrofit.

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) will inform how to implement a range of measures to improve energy efficiency and reduce reliance on fossil fuels.

Support residents, communities, and wider stakeholders (including schools through the Bee Green Strategy and businesses) to play their full part in tackling climate change and improve air quality, potentially learning new skills through engagement and opening up employment opportunities.

Deliver a Green Skills Action Plan as part of the Work and Skills Strategy.

The refresh of the Local Plan will provide the framework and approach to zero carbon construction and pave the way for delivering a Manchester standard for net zero construction, within the context of updated national building regulations and the outcome of consultation on the Future Homes Standard.

Developing a climate change risk and vulnerability assessment and Manchester Adaptation Plan to ensure that the city and its infrastructure is resilient to current and future climate change impacts.

Priority: Prepare for and support the delivery of the new GM Clean Air Plan.

Activities:

Develop and deliver '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 this clearly communicated to Manchester residents, businesses, and other stakeholders.

Ensure clear proposals to transition to low emission vehicles, including securing funding to improve emissions for private hire vehicles and Hackney cabs; and reviewing the vehicles emissions licensing policy, bringing forward the date of emissions compliance by 3 months, to 1 January 2026.

Raise awareness and reduce emissions from domestic solid fuel burning.

Priority: Deliver the Council's Climate Change Action Plan 2020-25 to reduce the Council's own direct CO2 emissions to remain within the Council's allocated Carbon Budget in line with our science-based targets developed by the Tyndall Centre for Climate Research.

Activities:

Progress the Large-Scale Renewable Energy Generation project through a direct renewable Power Purchase Agreement (PPA).

Reduce carbon emissions and generate renewable energy through the Estates Carbon Reduction Programme and deliver an approach to retrofit and decarbonising the Council's Housing benefitting Council tenants by creating warmer homes and reducing energy bills.

Further transition to electric vehicles within the Council fleet and increase the provision of electric vehicle charging infrastructure.

Embed the Sustainable Staff Business Travel Policy and review ways of working, for example Manchester Local Care Organisation (MLCO) to mobilise and measure the impact of changes to route mapping.

Deliver and monitor the impact of 10% environmental procurement weighting effectively.

Deliver the plan to reduce avoidable Single Use Plastics across the Council.

Raise the profile and importance of climate action amongst staff and behaviour change approaches, for example through carbon literacy training.

Theme 3: Advancing Equality, Diversity, and Inclusion

Deliver on our equality, diversity, and inclusion commitments to support Manchester's vision to be a progressive and equitable city.

Priority: Promoting inclusive community involvement and engagement in the planning, design, and delivery of interventions to; build trust, share, and amplify community voice to provide insight; be led by data; and work in collaboration and partnerships.

Activities:

Targeted programmes to positively engage our communities who experience racial inequality to gain and act on community insights and engender trust and confidence.

Strengthen the role of the Manchester Disability Collaborative to redress existing barriers in public services and social life to advance disability equality in the design and delivery of services for residents.

Improve services ensuring we meet the needs of our LGBTQ+ communities through engagement and providing ongoing feedback.

Develop an engagement and involvement infrastructure with a focus on communities' experience discrimination and disadvantage. E.g. CHEM accessible cross the council and MLCO.

Strengthen our evidence base by improving the collection, analysis, and application of quantitative and qualitative equalities related information, insight and learning to enable targeted action.

Deliver the recommendations identified Communities of Identity Report and the LGBTQ+ deep dive.

Strengthen the approach to integrating community intelligence into accountable decision making.

Apply the equality data monitoring standards and develop capabilities to understand intersectional data to improve outcomes in service provision and decision making.

Develop an approach that will evidence improved outcomes for communities most likely face barriers accessing our services, have a poorer experience and outcomes as a result of systemic and institutional discrimination.

Develop a robust measurement framework to track progress that will help us to establish what works both systemically and across our locality in addressing causes of persistent inequity.

A refreshed approach to key events that celebrate Manchester's Diversity focusing on; Black History Month, South Asian Heritage Month, Disability History Month, Pride, LGBT history Month and International Women's Day.

Priority: Deliver inclusive and accessible services that meet the needs of our diverse communities; through greater accountability; building capabilities and confidence across the workforce to recognise and mitigate disparities experienced by protected and marginalised groups and their intersectionality across all our services.

Activities:

Develop an integrated approach to Equality and Engagement pooling resources across the Council and Health to better tackle inequalities in both commissioning and service provision.

Use our Equality Impact Assessment (EIA) process to strengthen our focus addressing inequality and engaging with communities when we are making changes to our services and considering new policies.

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.

Maximising the 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 Act, and the protected status decision for care leavers.

Priority: Improve representation across all levels of the organisation; provide an accessible and inclusive working environment and culture enabling the Council to become an employer of choice where all people can flourish.

Activities:

Refresh the Council's Workforce Equality Strategy and Action Plan to have a workforce that reflects our communities. Ensure ownership is embedded across the organisation and effectively monitor progress through setting and monitoring targets.

Deliver the Council's Talent Plan which sets out how we will attract, develop and retain diverse talent. Strengthen our relationships with local communities and School, Colleges and Universities to attract local diverse talent.

Complete a corporate review of our end-to-end recruitment process to ensure it is inclusive. Review our senior recruitment offer to improve how we attract diverse talent to senior leadership posts.

Deliver positive action programmes to support the development and progression for employees experiencing racial inequality and disabled employees including long-term health conditions.

Deliver the Disability Action Plan and formally launch the Workplace Adjustment Hub by May 2024.

Become an Age Friendly Employer through the delivery of a co-produced age friendly action plan.

Deliver the actions within the trans and non-binary inclusion action plan.

Theme 4: Children and Young People enjoy a safe, happy, healthy and successful future

From day one, support Manchester's children to be safe, happy, healthy, and have a successful future,

Priority: Work with UNICEF UK to support Manchester be recognised as a UNICEF UK Child Friendly City.

Activities:

Co-produce with young people city-wide development plans and monitoring framework to deliver our chosen badges: Safe and Secure, Healthy, Equal and Included, Place, Culture, Communications, Co-operation and Leadership.

Establish a network of ambassadors to support and promote the successful delivery of the city-wide development plans.

Establish Youth Area Forums and governance structure which will support, coordinate and oversee the delivery of the development by 2025/26.

Deliver a programme of children's rights training so leaders and our workforce know about and respect children and young people's rights.

Ensure that information about children's rights is shared with children, young people and adults in different ways and people know when important decisions affecting children, young people and families are made.

Priority: All children to have access to and attend high-quality educational settings, which are inclusive and promote good attendance

Activities:

Ensure a sufficient range and choice of high-quality early years provision, schools, post 16 settings, and care and supporting accommodation.

Deliver refreshed Inclusion Strategy to drive continuous improvement in children's school attendance.

Launch and deliver Manchester's Education Strategy.

Increase the number of young people including those with SEND post 16 years to be engaged in employment, education, and training.

Work with schools and settings to improve outcomes for all children and to mitigate the impact of disadvantage and socio-economic factors.

Priority: Support and promote children to have the best possible start in life, be ready for school and adulthood and have developed skills which equip them for life. This includes ensuring any additional needs are quickly identified, responding to and they are involved in decision making processes, their views and needs are understood and increasing equitable access to youth, play, leisure, employment, training, and cultural opportunities.

Activities:

Embed a child rights-based and co-productive approach to enable children and young people to influence decisions services that impact their lives. ensure their voice is heard, and that they are able to shape service delivery.

Deliver the new three-year strategy and action plan for youth, play and participation. Develop a strong youth and play offer and levels of participation through commissioning and additional capital investment.

Deliver, review and evaluate the Early Years and Key Stage 1 MMF Kickstarter project to address the impact of the pandemic on the development of our youngest children.

Ensure children and young people across the city have access to youth, play, leisure, education, employment, training, and cultural opportunities.

Establish 5 Family Hubs aligned to early help, years, Special Educational Needs and Disability (SEND) and Youth Offer to deliver an integrated and efficient service.

Deliver SEND/Alternative Provision (AP) Plan as Regional Lead for the Change Programme.

Review and relaunch Manchester's 'Skills for Life' programme.

Priority: Reduce number of children needing a statutory service.

Activities:

Invest in prevention and early help to improve outcomes for children and their families and prevent the unnecessary escalation of children's needs and reduce demand for statutory services.

Evaluate and strengthen Manchester's services designed to provide targeted help and avoid children becoming unnecessarily cared for by the council.

Deliver Manchester's 'Thriving Families' multi-disciplinary practice intervention within Children and Families social work teams.

Deliver and evaluate the impact of initiatives (SAFE/AP taskforce etc) to divert children from the criminal justice system and/or being remanded to custody; further strengthening preventative interventions.

Strengthen children's services delivery at a locality level through strengthened inter-agency working to build the resilience of families and support children have a stable, safe, and loving homes (permanency).

Theme 5: Improving Health and Well Being for all

Work with partners to enable all people to be healthy and well, improving health equity and narrowing the gaps between the healthiest and the least healthy. Target the amount and type of support according to need, working with people and communities to improve their lives.

Priority: Deliver services, schemes and initiatives that improve population health outcomes and protect Manchester's residents from threats to their health. Work with partners to tackle the root causes of health inequalities, focussing on the social determinants including actions to prevent and reduce poverty, reducing poor air quality, tackling poor housing standards and reduce the impact of structural discrimination on health.

Activities:

Deliver the Making Manchester Fairer (MMF) action plan for tackling health inequalities focused on the social determinants of health, delivery of the Anti-Poverty Strategy and ongoing targeted cost-of-living support.

Deliver and monitor the impact of the funded MMF Kickstarter projects.

Strengthen public health commissioned services to meet the needs of the population.

Support and enable actions through Manchester's health and care provider collaborative (including the Local Care Organisation and Manchester University NHS Foundation Trust) to reduce healthcare inequalities.

Lead local prevention, preparedness and response work for health protection situations, including surges in infectious diseases, local outbreaks, and emergency preparedness for unexpected events.

Embed our approach to secure frontline-led service change and improvement: align See and Solve and Community Health business change approaches to develop one change process in the MLCO and work with partners to agree system transformation resilience

Priority: Support the Manchester Place Based Health and Care Integration ambitions and develop joint commissioning and investment opportunities.

Activities:

Enable the Manchester Partnership Board (MPB) to deliver the health and well-being priorities for the city, and to support the transition to the revised NHS Greater Manchester operating model.

Implement the locality integrated care delivery plan to achieve the health and well being priorities.

Build on the aligned commissioning model in the MLCO to support the operation of the integrated commissioning function for Manchester Integrated Care Partnership and support the development of a joint commissioning plan in areas such as Chronic Health Conditions, Learning Disability, Autism, Mental Health, Discharge to Access beds and Children and Young People services.

Deliver and evaluate impact of Moving and Handling pilot and progress options to explore blended roles with community services in Homecare.

Develop a Manchester Care Home strategy to secure care market sustainability: review care market framework rates and support providers with recruitment and retention, implement Real Living Wage and increase Extracare provision.

Evaluate Hospital at Home phase 1 (2023/24) and monitor the impact in hospital site plans to agree business case and mobilise phase 2.

Retendering of commissioned contracts, including homecare and supported accommodation.

Priority: Consolidate the leadership role of the MLCO (Manchester Local Care Organisation) in the Manchester integrated health and care system, including delivery and commissioning of Adult Social Care, Community Health, and Children's Services over the next five years.

Activities:

Review and develop a service strategy for equipment services in the city.

Design and mobilise an integrated Learning Disability service model through an aligned commissioning and service plan and mobilising the Learning Disability change programme - My Life, My Way

Review Supported Accommodation, Day Services and Short breaks and transport services.

Develop an options appraisal to secure a distributed model of care that improves the health and wellbeing of the residents of North Manchester in the context of a redesigned hospital.

Strengthen the transition for Children into Adults Services through the 'preparing for adulthood' Programme.

Outline a programme to grow reablement and ensure a 'Reablement first' approach to discharge and community step up pathways.

Lead the design of service pathways with a Home First ethos such as mobilising Hospital at Home and Single Point of Access; Review MLCO approach in discharge pathways

Continue to work with the VCSFE sector to support patients leaving hospital to receive a high quality, supportive and practical offer focused on preventing readmission and improving health and wellbeing.

Implement a core Community Health service offer.

Develop an MLCO Prevention strategy to support independence.

Transform Safeguarding into a system that supports people in a timely manner, so that people feel safe and secure where they live.

Work with GMMH to deliver their improvement journey into becoming a safe, effective and innovative offer.

Theme 6: Inclusive Communities, Thriving Neighbourhoods

Create great places to live, work and travel to, with the right mix of good-quality housing, clean and vibrant neighbourhoods, excellent, sustainable local transport infrastructure, and better digital networks.

Priority: Ensure inclusive access to housing by the provision of enough safe, secure, affordable and energy efficient homes across all tenures

Activities:

Embed A Place Called Home strategy for our Council managed homes focusing on: Resident led services, putting residents at the heart of everything we do; High quality housing services and home improvements for secure, warm, sustainable homes; and the delivery of a high-quality repairs service for our residents. Ensure a timely and successful transition from Equans in Housing Operations.

Enhance the safety and satisfaction of our residents by embedding the new social housing regulatory framework, consumer standards and building safety.

Improve the quality of our homes and ensure we meet the Decent Homes Standard through the delivery of the capital programme.

Lead the HRA Community Living Fund to support residents impacted by the cost-of-living crisis.

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.

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.

Drive forward building safety improvements, especially in high rise buildings.

Work 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. Consult on the draft Manchester Local Plan to deliver key housing growth locations across the city and deliver the city's aspirations in the Greater Manchester Places for Everyone Joint Development Plan.

Deliver a range of regeneration schemes, through our Strategic Regeneration and Neighbourhood Development Frameworks, to create new and varied housing including Victoria North (1,000 new homes) Phase three of the redevelopment of Ancoats; the first phase of redevelopment at Mayfield; and the next phase of New Jackson, (1,300 homes are under construction)

Priority: Make Homelessness rare, brief, and unrepeated through the increase in prevention and delivering better life outcomes for those at risk or who are homeless.

Activities:

Deliver to the strategic objectives set out in the Homelessness & Rough Sleeping Strategy 2024-2027.

Increase prevention and earlier intervention to reduce the numbers of people becoming homeless.

Ensure that bed and breakfast for families is only used on an emergency and short-term basis.

Secure more affordable good temporary and permanent accommodation, allowing people to retain their priority on the social housing register and improving prevention.

Improve access to the homelessness service through improved telephony performance.

Focus 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.

Maximise income to the city through funding opportunities to support homelessness interventions.

Reduce the impact of homelessness on diverse communities, as part of the MMF Action plan.

Priority: Ensure that the city is cleaner, greener, and well maintained.

Activities:

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.

Strengthen intelligence sharing and engagement to tackle illegal waste activity, utilising the legislative framework provided by the Environment Act 2021.

Take enforcement action where efforts to achieve compliance have not been successful.

Effectively utilise £1.5m of additional funding to deliver improvements to cleaning the city.

Deliver the £5m Neighbourhood Infrastructure Renewal Fund to enable small-scale asset renewal and across all Wards e.g. bollards, benches, tree guards, fencing, bins etc.

Priority: Through volunteering, and participating with community groups, voluntary organisations, culture, leisure, libraries, and major and community events all residents can access, benefit from and contribute to vibrant neighbourhoods.

Invest in neighbourhood and community assets including parks, leisure and sports centres, libraries, cultural and social infrastructure.

Deliver a new library 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.

Deliver new park and leisure facilities for Abraham Moss, Hough End and Wythenshawe Park, with refurbishments at the Manchester Aquatics Centre and the National Cycling Centre.

Develop plans for how we use space at Manchester Art Gallery and Platt Hall.

Establish a Manchester Major Events Commission 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.

Further develop and grow MCRVIP to encourage participation and volunteering in the city.

Priority: All residents can access coordinated services in their neighbourhood through strengthening the Manchester neighbourhood approach: bringing services together for people in places including Health and Social Care (through the Integrated Neighbourhood teams (INTs)), Greater Manchester Police (GMP), Housing, and Children's Services.

Activities:

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 Early Help offer for Adults and Multi Agency Prevention and Support (MAPS), supported by Changing futures and MMF Kickstarter funding and linked to the Adult Social Care 'Front Door' redesign.

Ensure our communication and engagement with residents is joined up by working with partners and the Voluntary, Community and Social Enterprise (VCSE) sector.

Develop and deliver a shared set of priorities and principles across partners within each of the 13 neighbourhoods documented in Neighbourhood plans.

Through the next stage of public service reform, working with partners and existing reform programmes we will develop a system wide approach to prevention and greater connectivity between services to create a better experience for our residents.

Support GMP to align with neighbourhood boundaries enabling greater synergies in neighbourhood and place-based working and support the implementation of the Right Care, Right Person 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. The programme will continue to focus on integrating partnership working arrangements by prioritising early intervention, and prevention and embedding the 'Think Family' approach and the role out of family hubs.

Mobilise and realise opportunities following the review of Community Health services, scope out the delivery programme for 2024/25 and ensure redesign of health and care pathways for Manchester residents based on our understanding of the need at neighbourhood level.

Priority: Our residents feel safe in our city and our neighbourhoods

Activities:

Deliver the priorities outlined in the Manchester Community Safety Strategy (2022-2025) including work on Prevent, Serious Violence, Hate Crime, Safety of Women and Girls.

Support businesses to be safe, compliant, and well-regulated through planning, licensing and environmental health.

Work towards achieving the aims and ambitions set out in the Domestic Abuse Strategy.

Implement compliance with Serious Violence Duty that was introduced in January 2023 and improvements in Joint Targeted Area Inspection.

Deliver a prevention and early intervention approach for community safety.

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

Activities:

Deliver against the Greater Manchester 2040 Transport Strategy and the City Centre Transport Strategy.

Delivery of local improvement schemes identified as ward priorities. Ensure the quality of our highways and pavements, the number of potholes repaired, and gully cleansing which remains a priority for our residents.

If Manchester is granted powers to enforce Moving Traffic Offences we will use this to reduce congestion, improve road safety and support Active Travel and Air Quality improvements.

Complete delivery of £37.2m programme of walking and cycling improvements, deliver the Active Travel Strategy and Investment Plan and explore opportunities for external funding.

Effectively enforce parking and bus lane restrictions to keep the city's roads moving and safe and reduce congestion.

Theme 7: Well-managed Council

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

Priority: Deliver the Future Shape of the Council Transformation plan to achieve a digital first approach, to ensure we are responsive to businesses, residents and colleagues and we are future ready, efficient and resilient.

Activities:

Lead and coordinate the Future Shape of the Council programme to be a digital-first council, working in a human-centred way.

Implement the internal Digital Strategy Delivery Plan with clear prioritisation, timescales and impact measures.

Support the implementation of the MLCO digital improvement and transformation plan.

Deliver a secure, reliable and easy to use network for our staff, partners and residents to continue to support digital and social inclusion, through the Council Network Refresh Programme.

Successful implementation of a new HR and Finance System to improve organisational efficiency and effective performance management (completion in 25/26)

Successful implementation of the Resident, Digital Experience Programme (RBDxP) to improve the customer experience for residents, businesses and councillors.

Deliver a clear Our Ways of Working (OWOW) plan including effective use of the council corporate and community health services estate.

Deliver the core target operating model, embedding the principles of Future Shape of the Council and the Organisational Development Plan, to achieve the identified service improvements and efficiencies.

Priority: Effectively manage our capital and revenue resources, via effective budget planning and management.

Activities:

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 2024/25 reflecting Member priorities and the Our Manchester Strategy, achieving agreed budget changes and efficiencies.

Identify, understand and mitigate budget pressures and risks through the year through effective budget monitoring and management.

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.

Initiate future budget planning for 2025/26 earlier in the year (May/June) to allow additional time for planning and mitigation proposals for future challenging budget pressures.

Priority: Ensure the Council has the right capacity, capability, and diversity to deliver great services to residents, through strategic workforce planning and effective productivity and performance management.

Activities:

Deliver the Council's Workforce Plan to attract, develop and retain talent at all levels; Be an inclusive employer which represents the communities that we serve at all levels; Develop world-class leaders and managers; High performing workforce that delivers great services for our city; and Be a thriving a healthy workforce.

Deliver the Health & Wellbeing Plan to improve the wellbeing of our workforce and address our key challenges (e.g. sickness absence, mental health, cost of living).

Deliver Talent Plan to attract, develop and retain diverse talent at all levels of the Council.

Deliver the outstanding actions in the Workforce Equality Strategy and to refresh this strategy, which is scheduled to be launched by May 2024.

Deliver the Organisation Development Plan (2023-25) to improve the effectiveness and performance of the workforce through four priority areas: leadership, decision & risk, performance development and recognition & staff voice.

Deliver the next phase of the performance and development priority of the Organisation Development Plan which focuses on helping the organisation to overcome some of the challenges around time, prioritisation and accountability at all levels.

Improve support for line managers to manage well through a programme of engagement, development and clear expectations & guidance; that are centred around the Good Manager Guide's.

Strengthen the strategic workforce planning to ensure we have the right people, in the right place, with the right skills and at the right time; and to plan for what services will look like in the future.

Maximise opportunities to integrate and optimise our approach to managing our collective health and care workforce and further community-based recruitment.

Priority: The council remain strategically focused, maintains good corporate governance, operates within its legal framework and embraces a culture of transparency and accountability.

Activities:

Refresh of the Our Manchester Strategy for 2025 focusing on delivering the best outcomes for our residents and our city.

Actively monitor the Corporate Plan priorities, our performance in delivering these, and the impact on budget pressures.

Improve Legal services operations through the successful embedding and development of a new case management system.

Deliver a whole service legal department supporting good governance, and decision making within our legal powers across the whole Council.

Strengthen the organisation’s approach to risk and resilience planning through embedding operational approaches in service plans.

Improved support arrangements for Member Services, the Council Leader and Executive team.

Drive improvements in corporate governance through the annual service level assessments of compliance and improvement, and by delivering the activities set out in the action plan of Governance Challenges in the council's Annual Governance Statement.

Support the Local Care Organisation to review governance arrangements following the establishment of the Integrated Care Board.

Through good intelligence and evaluation of impacts, monitor and identify changing demand on services to inform service design and resource allocation decisions.

Implement the council data management strategy including improving data quality, ownership and governance to ensure effective use of systems and intelligence led decision making.

Executive 14 February 2024
Medium Term Financial Strategy and 2024/25 Revenue Budget

Appendix 2: Savings Proposals 2024/25 to 2025/26

<u>Summary overview</u>

	Amount of Saving				Indicative FTE Impact
Service Area	**2024/25**	**2025/26**	**2026/27**	**Total**	
	£'000	**£'000**	**£'000**	**£'000**	
Adults Services	7,855	2,200	0	**10,055**	0
Public Health	15	0	0	**15**	0
Childrens Services	6,142	3,394	0	**9,536**	0
Neighborhoods	4,211	3,104	0	**7,315**	7
Corporate Core	1,359	1,089	0	**2,448**	35.5
Growth and Development	1,460	315	0	**1,775**	1
Cross Cutting	332	0	0	**332**	0
Total Savings	**21,374**	**10,102**	**0**	**31,476**	**43.5**

Adults Services:

Service	Description of Saving	Type of Saving	Amount of Saving			Indicative FTE Impact
			2024/25	2025/26	Total	
			£'000	£'000	£'000	
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		100	**100**	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		100	**100**	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, exploration of alternative transport models and encouraging independence through travel training initiatives	Service Redesign	75	0	**75**	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.	Service Redesign	900	1,250	**2,150**	TBC

Service	Description of Saving	Type of Saving	Amount of Saving			Indicative FTE Impact
			2024/25	2025/26	Total	
			£'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	Income Generation	50	0	**50**	None
Directorate	Smoothing via Adult Social Care Reserve	Efficiency	0	(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 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	Efficiency	0	2,275	**2,275**	None

Service	Description of Saving	Type of Saving	Amount of Saving			Indicative FTE Impact
			2024/25	2025/26	Total	
			£'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	Income Generation	175	750	**925**	None
Homecare	Moving and Handling intervention to reduce double cover	Efficiency	1,500		**1,500**	None
Homecare/ Direct Payments	Reviews aimed at ensuring people have appropriate levels of care without over prescription and a Reablement First approach	Efficiency	800		**800**	None
Residential	One to One Control – updated business rules. Implemented and working well	Efficiency	300		**300**	None
Residential	Assessed Need Top Up – price pressure in 2023/24 will be addressed through the increase in framework rates in April 2024	Efficiency	1,200		**1,200**	None
Residential	Client numbers and D2A Pathway – Health and Social Care system requirement to ensure a sustainable social care component	Efficiency	1,000		**1,000**	None
Establishment	Vacancy factor - reflects current vacancy and turnover position. Non recurrent 2024/25	Efficiency	1,100		**1,100**	None
Income	Billing of client contributions for care in block contract and extra care arrangements	Income Generation	500		**500**	None
Establishment	Vacancy Target	Efficiency	255		**255**	TBC
Total		**Total**	**7,855**	**2,200**	**10,055**	**0**

Public Health

Service	Description of Saving	Type of Saving	Amount of Saving			Indicative FTE Impact
			2024/25	2025/26	Total	
			£'000	£'000	£'000	
Directorate	Reversal of one off saving	Efficiency	(330)	0	**(330)**	0
Directorate	Headroom in budget set aside for contract uplifts	Efficiency	330	0	**330**	0
Establishment	Vacancy Target	Efficiency	15		**15**	0
Total			**15**	**0**	**15**	**0**

Children’s Services

Service	Description of Saving	Type of Saving	Amount of Saving 2024/25 £’000	Amount of Saving 2025/26 £’000	Amount of Saving Total £’000	Indicative FTE Impact
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.	Efficiency	3,000	2,000	**5,000**	0
Children's Safeguarding	Mockingbird - Program 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	219	257	**476**	0
Children's Safeguarding	Use of Reserve – Reversal of one year use of reserves.	Use of Reserves	(500)	0	**(500)**	0
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	500	500	**1,000**	0

Service	Description of Saving	Type of Saving	Amount of Saving			Indicative FTE Impact
			2024/25	2025/26	Total	
			£'000	£'000	£'000	
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	351	351	**702**	0
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 June 2021. Based on this evaluation and after taking account of savings proposals outlined 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	90	0	**90**	0

Service	Description of Saving	Type of Saving	Amount of Saving			Indicative FTE Impact
			2024/25	2025/26	Total	
			£'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 School Crossing Patrols (SCP) are not a statutory service they are a key road safety measure. It is proposed that SCP are financed by the Road Parking and Bus Lane Penalties Reserve instead of Council budget on 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	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 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	160	0	**160**	0
Directorate	Workforce Savings	Use of grants and reserves	222		**222**	0
Childrens Services	External Residential Placements - Review of all external residential placements and development of internal provision will enable the Directorate to achieve 2024/25 Managing Demand saving and reduce spend by a further £2m.	Efficiency	2,000		**2,000**	0
Total		Revised Total	**6,142**	**3,394**	**9,536**	**0**

<u>Neighbourhoods and Homelessness</u>

Service	Description of Saving	Type of Saving	Amount of Saving			Indicative FTE Impact
			2024/25	2025/26	Total	
			£'000	£'000	£'000	
Waste and Street Cleaning	Introduce charges for replacement recycling bins	Income Generation	0	400	**400**	0
Bereavement Services	Bereavement Services - Income charges, increase of 10% on all fees and charges	Income Generation	0	372	**372**	0
Contract and Commissioning	New advertising hoardings on Chester Road roundabout	Income Generation	100	0	**100**	0
Commercial and Operations	Increased traffic enforcement – Moving Traffic Offences - new scheme / Bus Lanes - full enforcement of all bus lanes and bus gates	Income Generation	1,000	1,000	**2,000**	0
Highways	Developer Fee Income - S278's would generate fees for checks, and approvals to designs etc.	Income Generation	35	0	**35**	0
Highways	Increased income through applying 5% inflationary uplift	Income Generation	184		**184**	0
Neighbourhoods	Review of Vacant posts	Efficiency	198		**198**	4
Community Safety	A temporary reduction in the contribution to the security measures for Christmas whilst Albert Square is unavailable, it is proposed that this will be re-introduced once the markets return to Albert Square	Efficiency	40		**40**	0
Neighbourhoods - Business Units	Review of vacant posts	Efficiency	100		**100**	0
Neighbourhoods -Advertising	The City Council currently operates two large advertising contracts for sites across the City and work is ongoing to identify further opportunities for new sites.	Income Generation	200		**200**	0
Neighbourhoods -Advertising	Review of Advertising Contract	Income Generation	152		**152**	0

Service	Description of Saving	Type of Saving	Amount of Saving			Indicative FTE Impact
			2024/25	2025/26	Total	
			£’000	£’000	£’000	
Waste	5% Increase in Sales, Fees and Charges	Income Generation	37		**37**	0
Compliance	5% Increase in Sales, Fees and Charges	Income Generation	95		**95**	0
Homelessness and Asylum	Demand reductions in Emergency and Temporary Accommodation Placements	Service Transformation	2,070	1,332	**3,402**	3
Total			**4,211**	**3,104**	**7,315**	**7**

Corporate Core

Service	Description of Saving	Type of Saving	Amount of Saving			Indicative FTE Impact
			2024/25 £'000	2025/26 £'000	Total £'000	
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	Efficiency	0	200	**200**	6.5
ICT	Due to increased flexible working and access to MS teams, reduce number of telephones (mobiles and landlines) across the council	Efficiency	25	25	**50**	0
ICT	Rationalise Wi-Fi providers	Efficiency	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.	Efficiency	25	0	**25**	0
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	200	200	**400**	8
HR/OD	Replace existing ATS software to improve recruitment processes and new front Door implementation.	Efficiency	50	65	**115**	3
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	122	125	**247**	10
Legal	Increased income through review of fees and charges	Income Generation	50	100	**150**	0
City Policy	Reduce strategic cultural grant to NFM	Efficiency	50	0	**50**	0
Communications	Review print and mailroom processes	Efficiency	35	70	**105**	0
Registrars	Review existing fees and charges to align with other Core Cities	Income Generation	20	0	**20**	0
Corporate Core	NI and Superannuation savings through introduction of electric car leasing	Efficiency	100	120	**220**	0

Service	Description of Saving	Type of Saving	Amount of Saving			Indicative FTE Impact
			2024/25	2025/26	Total	
			£'000	£'000	£'000	
Registrars	Review existing fees and charges to align with other Core Cities	Income Generation	80		**80**	0
Corporate Core	Share of the £1m workforce savings.	Efficiency	286		**286**	8
Customer Services	Clamping Income	Income generation	50		**50**	0
HROD	Schools income	Income generation	26		**26**	0
Communications	Increase in charge	Income generation	52		**52**	0
Procurement	Increase external charges by 5%	Income generation	4		**4**	0
Internal Audit	Increase external charges by 5%	Income generation	10		**10**	0
Commercial Governance	Increase existing external charges	Income generation	15		**15**	0
Registrars	Realign existing income budgets	Income generation	80		**80**	0
Capital Programmes	Realign existing income budgets	Income generation	25		**25**	0
DPE	Realign existing income budgets	Income generation	54		**54**	0
Total						

Growth and Development

Service	Description of Saving	Impact	Type of Saving	Amount of Saving 2024/25 £'000	2025/26 £'000	Total £'000	Indicative FTE Impact
Investment Estate	Recognise annual agreed increase in Manchester Airport Group Rents		Income Generation	170	815	**985**	0
Service Wide G&D	Delete 1 vacant post in Development		Efficiency	24		**24**	1
Investment estate	Increased income		Income Generation	1,250	(500)	**750**	0
Strategic Housing	Inflationary increase on solar panels		Income Generation	16		**16**	0
Total			Revised Total	**1,460**	**315**	**1,775**	**1**

Cross Cutting

Service	Description of Saving	Impact	Type of Saving	Amount of Saving 2024/25 £'000	2025/26 £'000	Total £'000	Indicative FTE Impact
Cross Cutting	Sustainable working and reduced travel			225		**225**	
Cross Cutting	Reduction in non-essential budgets across all directorates			107		**107**	
Total			Revised Total	**332**	**0**	**332**	**0**

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Executive 14 February 2024
Medium Term Financial Strategy and 2024/25 Revenue Budget
Appendix 3 – Investment, Pressures and Growth Proposals 2024/25 to 2026/27

Summary overview

	Amount of Investment			
	2024/25	2025/26	2026/27	Total
Directorate	£'000	£'000	£'000	£'000
Adult Social Care	35,628	10,011	8,000	53,639
Public Health	1,765	0	0	1,765
Children's Services	18,819	3,779	3,779	26,377
Neighbourhoods	4,077	4,150	2,309	10,536
Corporate Core	4,277	2,500	2,000	8,777
Growth and Development	0	0	0	0
Total Growth, Pressures, and Investment Proposals	**64,566**	**20,440**	**16,088**	**101,094**

Adult Social Care

Service	Description	Amount of Pressure / Growth			
		2024/25	2025/26	2026/27	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	2,636	2,936	3,236	**8,808**
Long term care	Care sector fee uplift inclusive of Real Living Wage	5,983	4,000	4,000	**13,983**
Long term care	Additional 1% Precept funding	2,274			**2,274**
Long term care	Adult Discharge Fund	2,969			**2,969**
Long term care	Market Sustainability Fund	3,105			**3,105**
Long term care	Additional price inflation towards care fees uplift	458	2,011		**2,469**
Long term care	Additional demographics - Transitions	2,000	0	0	**2,000**
Long term care	Additional price inflation towards care fees uplift	3,500	0	0	**3,500**
Long term care	Additional demographics – update to DAS model	1,735	1,064	764	**3,563**
Long term care	Reduction in Market sustainability grant (£4.055m to £2.276m)	(1,739)			**(1,739)**
Long term care	Residential care	6,171			**6,171**
Long term care	Nursing care	3,406			**3,406**
Long term care	Homecare (including £1.5m for growth to 31/3/24)	6,662			**6,662**
Long term care	Supported Accommodation provision (including in-house)	5,808			**5,808**
Long term care	Direct Payments / Personal Budgets	265			**265**
Long term care	Increase in Transitions budget from £2m to £3m	1,000			**1,000**
Long term care	Additional demographics allocation	1,295			**1,295**
Infrastructure	Investment in Mental Health	1,000			**1,000**
Infrastructure	Commissioning, Contracting and System Hub	500			**500**
Grant and contributions	Application and repurposing of funding detailed in the Adult Social Care Scrutiny report	(13,400)			**(13,400)**
Total		**35,628**	**10,011**	**8,000**	**53,639**

Public Health

Service	Description	Amount of Pressure / Growth			
		2024/25	2025/26	2026/27	Total
		£'000	£'000	£'000	£'000
Grant Funding	Increased government funding to be applied supporting Making Manchester Fairer objectives and support Agenda for Change	1,765	0	0	**1,765**
Total Pressures / Growth		**1,765**	**0**	**0**	**1,765**

Children's Services

Service	Description	Amount of Pressure / Growth			
		2024/25	2025/26	2026/27	Total
		£'000	£'000	£'000	£'000
Children's Safeguarding	Budget identified for support for growing population in Children's. The demand has been determined based on the demographic numbers on which the 2020/21 budget was set compared to the current position and potential increase in demand informed by 3% population growth predictions.	2,419	2,479	2,479	**7,377**
Children's Safeguarding	External Residential Growth - due to shortage of fostering households, coupled with the range of children's needs there has been a shift towards high-cost external residential placements. The cost of high-cost residential placements has increased by 47% since last year.	10,500	0	0	**10,500**
Children's Safeguarding	Unaccompanied Asylum Seeking Children Grant shortfall - Costs related to supporting this cohort are met from grant rather than Council budget. The presentation of unaccompanied asylum seeking children within Manchester has increased over the past 5 years, UASC children now make up over 0.07% of the total child population, indicating that as a Local Authority we are supporting a higher number of UASC. There is currently a substantial shortfall between the funding local government receives and the actual cost.	2,500	0	0	**2,500**
Children's Safeguarding	Internal fostering placements – Department of Education (DfE) announced minimum increase in foster care allowances reflected by 6.8% in Dec 23.	1,440	0	0	**1,440**
Education	Home to School Transport – increase in Education, Health, Care plans has led to increased number of children eligible.	1,300	1,300	1,300	**3,900**
Education	Home to School Transport - full year effect of Home to School Transport cost September 2023 price increases are estimated to be £560k.	560	0	0	**560**

Service	Description	Amount of Pressure / Growth			
		2024/25	2025/26	2026/27	Total
		£'000	£'000	£'000	£'000
Education	School Condition Surveys - Council is committed to ensuring that children access high quality education in buildings that are fit for purpose and sustainable. There is an ongoing commitment to ensure the suitability of local authority-maintained schools which requires up to date condition surveys to inform prioritisation of works	100	0	0	**100**
Total Pressures / Growth		**18,819**	**3,779**	**3,779**	**26,377**

Neighbourhoods

Service	Description	Amount of Pressure / Growth			
		2024/25	2025/26	2026/27	Total
		£'000	£'000	£'000	£'000
Waste Disposal Levy	Waste levy increase	1,177	1,250	1,609	**4,036**
Waste and street cleaning	Demographic increase for waste collection to reflect the stepped increase in population and disposal as well as resources to support enhanced street cleansing and targeting of hotspots	800	800	700	**2,300**
Waste and street cleaning	To deal with fly tipping and an accumulation of waste on Council land	100	0	0	**100**
Parking Services and CCTV	Car parking income has reduced post Covid due to lower usage, particularly season ticket sales – The £2.1m is covered through use of reserve for 2023/24 and 2024/25.		2,100		**2,100**
Business Units	Christmas Markets – temporary adjustment to offset the loss of income to unavailability of Albert Square.	1,000			**1,000**
Homelessness and Asylum	To support pressures to the Homelessness budget	1,000			**1,000**
Total Pressures / Growth		**4,077**	**4,150**	**2,309**	**10,536**

Corporate Core

Service	Description	Amount of Pressure / Growth			
		2024/25	2025/26	2026/27	Total
		£'000	£'000	£'000	£'000
Financial Management	Civica and purchase card rebate	10			**10**
ICT	Ongoing costs of ICT hardware refresh post roll out of EUD	750			**750**
HROD&T	Lost school income/CCV	23			**23**
Operational Property	Operational Property	905			**905**
ICT	Support the change in funding to implement cloud projects and associated subscription costs.	2,000	2,000	2,000	**6,000**
ICT	Reduced capacity to capitalise ICT staffing costs, and fund resources to support ICT priorities	1,000	500	0	**1,500**
Corporate Items	Increased costs of External Audit	290	0	0	**290**
Corporate Items	AGMA	69	0	0	**69**
Revenues and Benefits	Realigning of the Council Tax Support Budgets	(770)			**(770)**
Total Pressures / Growth		**4,277**	**2,500**	**2,000**	**8,777**

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Executive 14 February 2024
Medium Term Financial Strategy and 2023/24 Revenue Budget

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. Discounts 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).

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

c) 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

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

e) 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 2024/25. The Council element is only increasing by 4.99% in 2024/25 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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Executive 14 February 2024
Medium Term Financial Strategy and 2024/25 Revenue Budget
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 2023/24 the council's total useable reserves are forecast to total £429m. Of these, £111.4m are ringfenced to the HRA and Schools

2.2. £130m is committed to support the £1.1bn capital programme, most of which is contractually committed to.

2.3. The remaining revenue reserves are £189m, against an annual revenue budget of £1.6bn, which would only fund 40 days of expenditure. Within this the only truly unallocated reserve for unknown risks or events, is the General Fund Reserve of £19.6m, which would fund 4 days of expenditure.

Table one: Usable Reserves Summary

	Actual Closing Balance	Forecast Closing Balance			
	Mar-23	**Mar-24**	**Mar-25**	**Mar-26**	**Mar-27**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
(1) Ringfenced reserves:					
HRA Reserves	104,440	92,626	66,951	41,657	29,153
School Reserves	16,516	16,516	16,516	16,516	16,516
Earmarked -Business Rates - COVID 19	7,312	0	0	0	0
Sub-total ringfenced	**128,268**	**109,142**	**83,467**	**58,173**	**45,669**
(2) Reserves supporting the capital strategy	**172,812**	**130,406**	**112,203**	**90,405**	**65,821**
(3) Other reserves:					
Other Earmarked Reserves	168,943	170,030	130,249	76,552	48,755
General Fund	25,846	19,640	23,140	23,140	23,140
Sub Total revenue general reserves	**194,789**	**189,670**	**153,389**	**99,692**	**71,895**
Total All Reserves (1+2+3)	**495,868**	**429,218**	**349,059**	**248,270**	**183,385**

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. In addition, the current level of reserves includes the budget smoothing reserve and will reduce significantly over the next 2-3 years. 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 2024), 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			
Housing Revenue Account Reserves	**Mar-24**	**Mar-25**	**Mar-26**	**Mar-27**
	£000	**£000**	**£000**	**£000**
Housing Revenue Account General Reserve	56,114	30,439	5,145	0
HRA PFI reserve	10,012	10,012	10,012	10,012
HRA Residual liabilities fund	24,000	24,000	24,000	16,641
Housing Insurance reserve	2,500	2,500	2,500	2,500
Total HRA	**92,626**	**66,951**	**41,657**	**29,153**

4.3. Based on the latest forecast position (December 2023) the HRA will have total reserves of c£93m at March 2024, of this c£56m 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£64m by 2026/27 to c£29m. These reductions reflect planned capital investment of c£122.8m over the next three years, of which c£71m is to be funded through the HRA, with the balance from external grants and capital receipts. Capital costs have increased 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. No commitments during 2023/24, 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 2024/25 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 2024/25 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 £62m 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. Noting the sensitivity in projections to small changes in inflation and other assumptions

School Reserves

4.8. *Schools Reserve £16.5m* - 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 2023/24, five Manchester Schools (four primary and one special) were subject to a 100% clawback of excessive balances held for five years with a total clawback of £59k. 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 £4.4m by the end of 2023/24, including £1.417m deficit brought forward from 2022/23. Recovery plan initiatives are in place to bring the position back into balance.

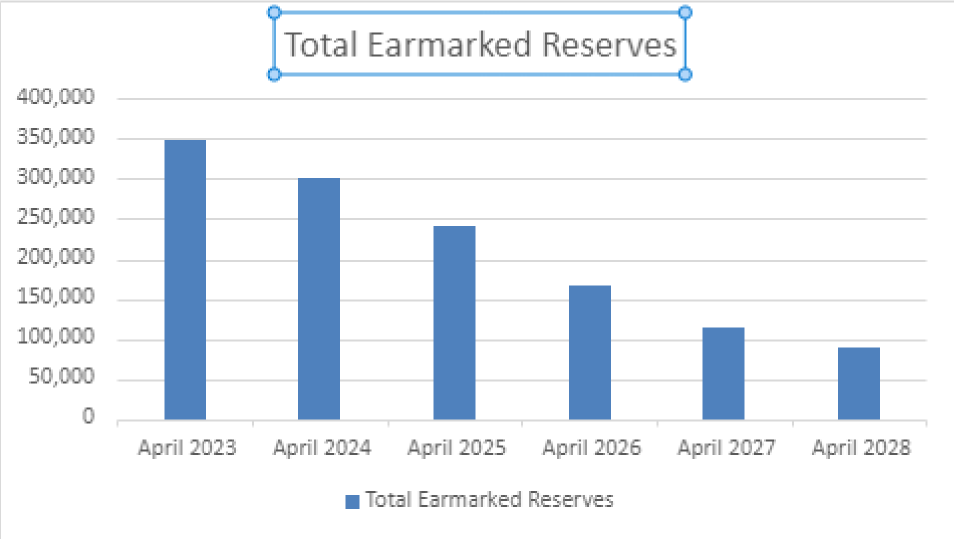
<u>Earmarked Reserves</u>

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 £46m of smoothing reserve is being used over the next four years to close budget gap.

- Including capital reserves, earmarked are forecast to fall to c£122m by March 2027 which is relatively low.

4.11. The graph below demonstrates the anticipated annual reduction.



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-24	**Mar-25**	**Mar-26**	**Mar-27**
	£000	**£000**	**£000**	**£000**
Capital Fund Reserve	68,199	54,082	37,973	16,272
Capital Financing Reserve	34,730	34,730	34,730	34,730
Investment Reserve	7,020	4,973	3,159	1,282
Town Hall Reserve	5,795	2,878	199	199
Enterprise zone reserve	2,504	2,902	3,295	3,682
Manchester International Festival	6,343	5,843	5,343	4,843
Eastlands Reserve	748	1,816	816	12
Highways Commuted Sums	5,068	4,979	4,890	4,801

	Forecast Closing Balance			
	Mar-24	Mar-25	Mar-26	Mar-27
	£000	£000	£000	£000
Total	**130,406**	**112,203**	**90,405**	**65,821**

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) 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.

4.14. The proposed drawdowns include an annual £2m to support the events commission, this will be funded through the growth in retained business rates. The proposed City Council resources will be supplemented by other city partnership funding that will be part of the whole events commission budget and managed by the City Council.

Capital Financing Reserve

4.15. 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.

4.16. 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

4.17. 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.

4.18. 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.

4.19. 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.

4.20. 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 as they are now the operator for Aviva Studios. .

4.21. 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.

4.22. 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

4.23. 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 £32m of budget cuts and savings in the next two years 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-24	Mar-25	Mar-26	Mar-27
	£000	£000	£000	£000
Budget Smoothing Reserve	46,433	45,859	23,228	5,468
Integration Reserve	2,080	2,080	2,080	2,080
Transformation Reserve	6,068	4,235	2,735	2,735
Supporting Families Reserve	2,219	1,079	0	0
Clean City Reserve	174	139	104	69
Our Manchester Reserve	225	(0)	(0)	(0)
Adult Social Care	2,657	208	34	34
Homelessness Reserve	1,800	1,499	1,499	1,499
ICT Investment Reserve	24,368	7,502	664	0
Total	**86,024**	**62,601**	**30,344**	**11,885**

Budget Smoothing Reserve

4.24. 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.

4.25. The anticipated reserve balance at the end of 2023/24 is £46.4m. The reserve is 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.
- £2m 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.
- £5.468m relating to one off rebates from GMCA will be transferred to the budget smoothing reserve in line with the budget strategy of using one off funds to support the medium-term budget and smooth budget shortfalls. This also gives some capacity to support any further preventative initiatives as developed and approved.

4.26. **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.

4.27. 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.

4.28. **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. Due to delays in the programme funding will reprofiled into 2024/25 and be fully utilised during the year.

4.29. **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.

4.30. **Homelessness Reserve** – £1.5m is held to smooth the impact of potential demand pressures around the cost of living crisis.

4.31. **ICT Investment Reserve** – This is a new reserve which has been established by re-earmarking some of the capital fund reserve that was set aside to fund ICT capital investment. This new revenue reserve recognises the industry change to cloud first, and software as a service (SaaS), with ICT & Digital projects fundamentally moving away from capital investments where a physical asset is created and hosted on site, to becoming a cloud-based subscription and licensed solution which are externally hosted.

4.32. The £24.4m opening budget is forecast to be applied to support the ICT investment at £16.9m next year, £6.8m in 2025/26 and £0.7m in 2026/27. Two of the most significant projects to be delivered are the Resident and Business Digital Experience, which includes the replacement of the Customer Relationship Managment (CRM) system, and the New Finance and HRODT system.

Managing Economic and Commercial Risks

4.33. 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.

4.34. 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.

4.35. 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-24	**Mar-25**	**Mar-26**	**Mar-27**
	£000	**£000**	**£000**	**£000**
Business Rates Reserve	11,212	23,600	7,449	1,412
Airport Dividend Reserve	13,116	(0)	(0)	(0)
Planning Reserve	3,057	1,148	371	299
Investment Estate Smoothing Reserve	1,443	1,443	1,443	1,443
Land Charges Fees Reserve	107	57	57	57
Total	**28,936**	**26,249**	**9,321**	**3,212**

4.36. 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, and to help mitigate the impact of the economic down turn on business rates income.

4.37. 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, leaving a balance of £14.2m which has been applied across 2023/25.

4.38. 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.

4.39. 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

4.40. 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 £18.4m

Statutory reserves

4.41. 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-24**	**Mar-25**	**Mar-26**	**Mar-27**
	£000	**£000**	**£000**	**£000**
Bus Lane Enforcement Reserve	**5,071**	**3,062**	**1,053**	**0**
On Street Parking	**5,103**	**3,121**	**3,085**	**2,093**
Bridge Street Reserve	**148**	**148**	**148**	**148**
Ancoats Square Reserve	**2,373**	**2,142**	**2,029**	**1,916**
Taxi Licensing Reserve	**570**	**570**	**570**	**570**
Spinningfields Commuted Sum	**630**	**621**	**621**	**621**
St Johns Gardens Contingency	**997**	**947**	**947**	**947**
New Smithfield Market	**327**	**(0)**	**(0)**	**(0)**
Great Northern Square Maintenance Fund	**269**	**269**	**269**	**269**
Art Fund Reserve	**31**	**0**	**0**	**0**
Manchester Move Reserve	**295**	**295**	**295**	**295**
Manchester Safeguarding	**73**	**73**	**73**	**73**
West Gorton Park Reserve	**170**	**170**	**170**	**170**
Total	**16,058**	**11,419**	**9,261**	**7,103**

4.42. 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

4.43. 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

4.44. 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 £1.1m 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.

4.45. 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.

4.46. 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.

4.47. St. Johns Gardens Contingency– is a funded by contribution from St Johns Gardens Tenants for Maintenance works.

Reserves Held for PFI's

4.48. 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 31/03/2024	Closing Balance 31/03/2025	Closing Balance 31/03/2026	Closing Balance 31/03/2027
	£000	£000	£000	£000
Temple PFI	360	196	0	0
Wright Robinson PFI Reserve	1,556	1,567	1,453	1,305
Total	1,915	1,762	1,453	1,305

4.49. 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.

Reserves held for accounting purposes

4.50. 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 31/03/2024	Closing Balance 31/03/2025	Closing Balance 31/03/2026	Closing Balance 31/03/2027
	£000	£000	£000	£000
MAES Reserve	1,153	228	228	228
Children's Services Reserve	2,910	363	156	156
Collection Initiatives Reserve	4,165	2,660	2,212	2,099
Other Grants and Contributions - Neighbourhood Services	659	659	659	659
Fraud Fund	136	68	0	0
Asylum Seekers	829	829	562	562
Dept for Transport Grants Reserve	24	0	0	0
Total	9,875	4,806	3,816	3,703

Grants and Contributions used over more than one year

4.51. MAES Reserve - This reserve is to support Manchester Adult Education Services as funding requirements are aligned to academic years rather than financial years.

4.52. 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 £0.2m the year after.

4.53. 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

4.54. 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 31/03/2024**	**Closing Balance 31/03/2025**	**Closing Balance 31/03/2026**	**Closing Balance 31/03/2027**
	£000	**£000**	**£000**	**£000**
Making Manchester Fairer	900	0	0	0
Public Health Reserve	1,373	1,373	1,373	1,373
Fleet Maintenance Reserve	28	28	28	28
Cleopatra Reserve	120	(0)	(0)	(0)
Landlord Licensing Reserve	137	237	237	237
Selective Licensing reserve	522	1,070	1,070	1,070
Pension Risk Fund	518	518	518	518
Nuclear Free Zone	33	28	23	18
Carbon Reduction Reserve	540	245	(0)	(0)
End User Device Reserve	420	785	500	215
Graves and Memorials	97	77	57	37

Other Specific Reserves	Closing Balance 31/03/2024	Closing Balance 31/03/2025	Closing Balance 31/03/2026	Closing Balance 31/03/2027
Trading Standards Reserve	93	57	57	57
Housing Compliance Reserve (Fixed Penalty Notices)	173	91	91	91
Community Safety Reserve	445	345	245	145
Litter Reserve (Fixed Penalty Notices)	190	190	190	190
Great Ancoats Management Improvement Reserve	180	160	160	160
Social Value Fund	96	96	136	176
AGMA General Reserve	(0)	(30)	(30)	(30)
Angel Meadow Reserve	18	(0)	(0)	(0)
North West Construction Hub Reserve	105	165	225	285
Old Gorton Library	27	0	0	0
Leasing Schemes	2,730	0	0	0
TOTAL	**8,743**	**5,433**	**4,878**	**4,568**

General Fund

4.55. The only unallocated reserve is the General Fund Reserve, expected to be £19.6m at the end of 2023/24 if the current year overspend remains at the forecast £5.5m. The 2024/25 budget proposals include topping back up the general fund reserve by £3.5m to bringing the forecast balance to £23m. This reserve 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 2024-27

	Closing Balance Mar-24	Withdrawal	Addition	Closing Balance Mar-25	Closing Balance Mar-26	Closing Balance Mar-27	Purpose
	£000	£000	£000	£000	£000	£000	
Schools Reserve	**16,516**	0	0	**16,516**	**16,516**	**16,516**	
General Fund Reserves							
Statutory Reserves	**16,058**	(14,989)	10,350	**11,419**	**9,261**	**7,103**	
Earmarked Reserves	**284,378**	(85,439)	32,094	**231,033**	**157,696**	**107,473**	
General Fund Reserve	**19,640**	0	3,500	**23,140**	**23,140**	**23,140**	
Total General Fund	**320,076**	**(100,428)**	**45,944**	**265,592**	**190,097**	**137,716**	
Housing Revenue Account Reserves:							
Housing Revenue Account General Reserve	**44,260**	(13,821)	0	**30,439**	**5,145**	**(0)**	
Major Repairs Reserve	**11,854**	(11,854)	0	**0**	**0**	**0**	
HRA PFI reserve	**10,012**	0	0	**10,012**	**10,012**	**10,012**	
HRA Residual liabilities fund	**24,000**	0	0	**24,000**	**24,000**	**16,641**	
Housing Insurance reserve	**2,500**	0	0	**2,500**	**2,500**	**2,500**	
Total HRA	**92,626**	**(25,675)**	**0**	**66,951**	**41,657**	**29,153**	

	Closing Balance Mar-24	Withdrawal	Addition	Closing Balance Mar-25	Closing Balance Mar-26	Closing Balance Mar-27	Purpose
	£000	£000	£000	£000	£000	£000	
TOTAL RESERVES	**429,218**	**(126,103)**	**45,944**	**349,059**	**248,270**	**183,385**	
SCHOOLS RESERVE							
LMS Reserve	**16,516**	0	0	**16,516**	**16,516**	**16,516**	School balances assumed year-end position. These are not Council resources and so cannot be used by MCC.
Sub Total Schools	**16,516**	**0**	**0**	**16,516**	**16,516**	**16,516**	
STATUTORY RESERVES							
Bus Lane Enforcement Reserve	**5,071**	(5,209)	3,200	**3,062**	**1,053**	**0**	Ring-fenced reserve which can only be applied to specific transport and highways related activity.
On Street Parking	**5,103**	(9,132)	7,150	**3,121**	**3,085**	**2,093**	Ring-fenced reserve which can only be applied to specific transport, environmental and highways related activity.
Bridge Street Reserve	**148**	0	0	**148**	**148**	**148**	
Ancoats Square Reserve	**2,373**	(231)	0	**2,142**	**2,029**	**1,916**	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	**570**	0	0	**570**	**570**	**570**	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	**630**	(9)	0	**621**	**621**	**621**	Funds received as part of an agreement to cover maintenance costs.
St Johns Gardens Contingency	**997**	(50)	0	**947**	**947**	**947**	Contribution from St Johns Gardens tenants for maintenance works
New Smithfield Market	**327**	(327)	0	**(0)**	**(0)**	**(0)**	To contribute towards funding the development plans for the market

	Closing Balance Mar-24	Withdrawal	Addition	Closing Balance Mar-25	Closing Balance Mar-26	Closing Balance Mar-27	Purpose
	£000	£000	£000	£000	£000	£000	
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**	(31)	0	**0**	**0**	**0**	For art purchases
Manchester Move Reserve	**295**	0	0	**295**	**295**	**295**	To managed waiting list for Registered Providers
Manchester Safeguarding	**73**	0	0	**73**	**73**	**73**	Children's Safeguarding Board activity. The Board is a joint responsibility with MCC and the ICS
West Gorton Park Reserve	**170**	0	0	**170**	**170**	**170**	For spend on play equipment over the next 10 - 15 years
TOTAL	**16,058**	**(14,989)**	**10,350**	**11,419**	**9,261**	**7,103**	
EARMARKED RESERVES							
BALANCES HELD FOR PFI'S							
Temple PFI	**360**	(172)	8	**196**	**1**	**1**	Established to fund the requirements of the PFI scheme over 25 years
Wright Robinson PFI Reserve	**1,556**	(26)	37	**1,567**	**1,453**	**1,305**	PFI Scheme 25 year contract drawdown will be in future years as expenditure exceeds grant.
TOTAL	**1,915**	**(198)**	**45**	**1,762**	**1,453**	**1,305**	
MANAGING ECONOMIC AND COMMERCIAL RISKS							
Business Rates Reserve	**11,212**	(6,037)	18,425	**23,600**	**7,449**	**1,412**	To mitigate Business Rates income risk due to the uncertainty of future income with a potential reset and the impact of economic uncertainty.
Airport Dividend reserve	**13,116**	(13,116)	0	**(0)**	**(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	**3,057**	(1,909)	0	**1,148**	**371**	**299**	Used to smooth the volatility of planning fee income to avoid budget pressures if fee income reduces

	Closing Balance Mar-24	Withdrawal	Addition	Closing Balance Mar-25	Closing Balance Mar-26	Closing Balance Mar-27	Purpose
	£000	£000	£000	£000	£000	£000	
Investment Estate smoothing reserve	**1,443**	0	0	**1,443**	**1,443**	**1,443**	To manage budget pressures due to the volatility in investment income.
Land Charges Fees Reserve	**107**	(50)	0	**57**	**57**	**57**	To smooth the budget impact of peaks and troughs in demand.
TOTAL	**28,936**	**(21,112)**	**18,425**	**26,249**	**9,321**	**3,212**	
INSURANCE FUND							
Insurance Fund	**18,479**	(500)	0	**17,979**	**17,479**	**16,979**	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							
Capital Fund Reserve	**68,199**	(14,117)	0	**54,082**	**37,973**	**16,272**	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	**7,020**	(2,047)	0	**4,973**	**3,159**	**1,282**	To deliver priority regeneration projects.
Town Hall Reserve	**5,795**	(2,917)	0	**2,878**	**199**	**199**	To fund commitments for the Town Hall Complex Programme

	Closing Balance Mar-24	Withdrawal	Addition	Closing Balance Mar-25	Closing Balance Mar-26	Closing Balance Mar-27	Purpose
	£000	£000	£000	£000	£000	£000	
Enterprise zone reserve	**2,504**	(102)	500	**2,902**	**3,295**	**3,682**	To underwrite the borrowing costs for development in the Oxford Road Corridor
Manchester International Festival	**6,343**	(1,000)	500	**5,843**	**5,343**	**4,843**	To fund agreed future Factory International grant from the reserve. Grant agreement is aligned to the Arts Council England funding cycle.
Eastlands Reserve	**748**	(4,050)	5,118	**1,816**	**816**	**12**	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	**5,068**	(89)	0	**4,979**	**4,890**	**4,801**	Contributions towards future maintenance
TOTAL	**130,406**	**(24,321)**	**6,118**	**112,203**	**90,405**	**65,821**	
RESERVES HELD TO SUPPORT DELIVERY AND RISK IN THE MTFP							
Budget smoothing reserve	**46,433**	(6,042)	5,468	**45,859**	**23,228**	**5,468**	Planned use to smooth the impact of budget shortfalls whilst savings are developed and implemented and until investment income returns.
Integration Reserve	**2,080**	0	0	**2,080**	**2,080**	**2,080**	The reserve is a joint resource used by the Manchester Local Care Organisationto support the infrastructure requirements that underpin the mobilisation of the Locality Plan.
Transformation Reserve	**6,068**	(1,833)	0	**4,235**	**2,735**	**2,735**	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	**2,219**	(1,140)	0	**1,079**	**0**	**0**	To support the Thriving Families initiative, a whole family, strengths-based approach to child protection.

	Closing Balance Mar-24	Withdrawal	Addition	Closing Balance Mar-25	Closing Balance Mar-26	Closing Balance Mar-27	Purpose
	£000	£000	£000	£000	£000	£000	
Clean City	**174**	(35)	0	**139**	**104**	**69**	To support clean and green initiatives including litter bin installations, park clean ups, knotweed and hogweed clearances and other waste and recycling activities.
Our Manchester reserve	**225**	(225)	0	**(0)**	**(0)**	**(0)**	Additional investment made available as part of the 2017-2020 budget process to drive forward the delivery of Our Manchester initiatives
Adult Social Care	**2,657**	(2,449)	0	**208**	**34**	**34**	To support Adult and Social Care Improvement Plan
Homelessness Reserve	**1,800**	(301)	0	**1,499**	**1,499**	**1,499**	To offset potential increases in need / demand
ICT Investment Reserve	**24,368**	(16,866)	0	**7,502**	**664**	**0**	To support ICT Digital Strategy
TOTAL	**86,024**	**(28,891)**	**5,468**	**62,601**	**30,344**	**11,885**	
RESERVES HELD FOR ACCOUNTING PURPOSES							
MAES Reserve	**1,153**	(925)	0	**228**	**228**	**228**	To fund Manchester Adult Education Services (MAES)
Children's Services Reserve	**2,910**	(2,547)	0	**363**	**156**	**156**	Various Children's grants being used over more then one year
Collection Initiatives Reserve	**4,165**	(1,505)	0	**2,660**	**2,212**	**2,099**	Small reserves on Corporate Core
Other Grants and Contributions - Neighbourhood Services	**659**	0	0	**659**	**659**	**659**	Various local Environment scheme and initiatives i.e. 'clean up campaigns'
Fraud Fund	**136**	(68)	0	**68**	**0**	**0**	Unspent grant received in previous year
Asylum Seekers	**829**	0	0	**829**	**562**	**562**	This will fund the Local Authority Asylum Support Officer (LAASLO) project.
DFT Grants Reserve	**24**	(24)	0	**0**	**0**	**0**	Unspent grant received in previous year
TOTAL	**9,875**	**(5,069)**	**0**	**4,806**	**3,816**	**3,703**	
OTHER SPECIFIC RESERVES							

	Closing Balance Mar-24	Withdrawal	Addition	Closing Balance Mar-25	Closing Balance Mar-26	Closing Balance Mar-27	Purpose
	£000	£000	£000	£000	£000	£000	
Making Manchester Fairer	**900**	(900)	0	**0**	**0**	**0**	Funding for Making Manchester Fairer including kickstarter schemes.
Public Health Reserve	**1,373**	0	0	**1,373**	**1,373**	**1,373**	
Fleet Maintenance Reserve	**28**	(25)	25	**28**	**28**	**28**	Reserve created for smoothing the impact of vehicle repair and maintenance costs.
Cleopatra Reserve	**120**	(120)	0	**(0)**	**(0)**	**(0)**	Balance to support legal costs relating to the CSE review programme
Landlord Licensing Reserve	**137**	0	100	**237**	**237**	**237**	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	**522**	0	548	**1,070**	**1,070**	**1,070**	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	**33**	(5)	0	**28**	**23**	**18**	General reserve/ GM contributions. At the end of the year any surplus/deficit is adjusted in the reserve
Carbon Reduction Reserve	**540**	(295)	0	**245**	**(0)**	**(0)**	To fund revenue initiatives which support the target for Manchester to become a zero carbon city by 2038 at the latest and specifically, to support the delivery of the Council's 2020-25 Action Plan
End User Device Reserve	**420**	(900)	1,265	**785**	**500**	**215**	To support ongoing ICT replacement programme.
Graves and Memorials	**97**	(20)	0	**77**	**57**	**37**	Money held in trust for repair and development costs for gravestones
Trading Standards Reserve	**93**	(36)	0	**57**	**57**	**57**	Specific grants such as Tobacco control, control of migration etc.
Housing Compliance Reserve (Fixed Penalty Notices)	**173**	(82)	0	**91**	**91**	**91**	Revenue collected from enforcement activity is ring-fenced to functions related to Housing Compliance.

	Closing Balance Mar-24	Withdrawal	Addition	Closing Balance Mar-25	Closing Balance Mar-26	Closing Balance Mar-27	Purpose
	£000	£000	£000	£000	£000	£000	
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)	**190**	0	0	**190**	**190**	**190**	Under Government regulations reserve is ringfenced to a small number of specific projects.
Great Ancoats Management Improvement Reserve	**180**	(20)	0	**160**	**160**	**160**	Specific reserve for use within defined areas within Great Ancoats. Spending plans still under discussion.
Social Value Fund	**96**	(40)	40	**96**	**136**	**176**	Reserves for Social Funding income from successful tenders
AGMA General Reserve	**(0)**	(30)	0	**(30)**	**(30)**	**(30)**	District Specialist Trading standards
Angel Meadow Reserve	**18**	(18)	0	**(0)**	**(0)**	**(0)**	Angel Meadow park
North West Construction Hub Reserve	**105**	0	60	**165**	**225**	**285**	Reserves for Social Funding income from successful tenders
Old Gorton Library	**27**	(27)	0	**0**	**0**	**0**	Contribution to Gorton Hub integration manager
Leasing Schemes	**2,730**	(2,730)	0	**0**	**0**	**0**	Leasing income
TOTAL	**8,743**	**(5,348)**	**2,038**	**5,433**	**4,878**	**4,568**	
TOTAL EARMARKED RESERVES	**284,378**	**(85,439)**	**32,094**	**231,033**	**157,696**	**107,473**	
Grand Total General Fund Reserves	**336,592**	**(100,428)**	**45,944**	**282,108**	**206,613**	**137,716**	

Executive 14 February 2024
Medium Term Financial Strategy and 2024/25 Revenue Budget
Appendix 6: Sales, Fees and Charges – Budget 2024/25

Summary

The 2023/24 Council budgets include almost £125m per annum of income generated through sales, fees and charges. This is for services provided to residents, businesses and visitors to the City and charges are based on a large schedule of prices for each service provided.

The charges make an important contribution to the delivery of these services and the financial stability and sustainability of the Council, so it is important that the fees and charges are reviewed regularly.

This report updates the committee on the current work being undertaken to review all sales fees and charges as part of the 2024/25 budget process to ensure that charges are correct, that the costs of providing the services are being recovered, and identify opportunities for increasing existing budgets in order to support the overall Council 2024/25 budget. This paper outlines £1m of additional income budgets as a result of this exercise to contribute to achieving a balanced budget.

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. The Council is facing inflationary pressures of around £20m in 2024/25 and sales, fees and charges need to be increased to help cover the cost of delivering the services charged for.

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. Income generation forms a significant part of the overall funding of a number of key Council services.

1.2 The majority of income raised by Councils from sales fees and charges is utilised to fund costs of delivery of the services charged for and related activities. Some fees and charges are set by government through legislation which is very specific about what the income can be used to fund. As a result it is important that both expenditure budgets and the levels of fees charged are reviewed annually. This report provides an overview the sales, fees and charges levels that are proposed to be set for the 2024/25 financial year.

1.3 Overall, levels of income vary year on year, depending on levels of activity and prices charged, with the total level being affected by external influences outside of the Council’s control, for example, behaviour changes post pandemic and wider economic factors including the cost of living crisis. It is therefore important that the budgets are reviewed and realigned to reflect the most up to date trading position, and any other known factors.

1.4 In addition to realigning budgets, it is important to review charges on a regular basis, which is done in line with the following key principles:-

- A regular review of sales fees and charges may result in small annual increases, but it will reduce the impact of large increases if reviews are not done for long periods of time.
- All services provided and charged for should demonstrate that they are operating on a cost recovery basis, in some instances this can be smoothed over multiple years and is subject to external scrutiny.
- Increases to fees and charges have to be balanced against the inflationary impact on the costs of delivering those services, whilst being mindful of the need to protect residents from unaffordable price increases, particularly during a cost of living crisis.
- Some services are also provided to internal Council departments, and inflationary increases do impact on other Council budgets, therefore it is important that there is no cross subsidy particularly for externally delivered services.

2. Sales, Fees, and Charges Overview.

Current Financial Year

2.1 Neighbourhood Services have a gross income budget of £56.6m and are forecasting an income budget shortfall in 2023/24 of c£2m, largely due to:

a) £0.674m shortfall from off street car park charges, reflecting ongoing lower user numbers, driven in particular by lower season ticket sales post the pandemic; and
b) £1m reduced income from the reduced scale of Christmas markets and
c) c£0.6m reduced footfall across both retail markets and wholesale markets due to a reduced number of stall holders.

d) The Growth and Development Directorate have a budget of £31.6m and are overachieving their overall income budget by c£226k. However, there are a number of variances across all charging areas, including
a) c£300k overachievement on the investment estate
b) c£400k additional planning income.
c) £347k lower than forecast income in building control and premises licensing.

2.2 Planning fees are set by the Government, who have recently confirmed an increase in the charges, with the proceeds funding additional resources to deliver shorter timescales for managing applications. The overall impact of the increase is uncertain and also impacted by macro economic factors, but it is expected that the overall level of income will increase. The increased planning fees have to be ringfenced to the Planning Department and its associated activities.

The Corporate Core has an income budget of £36.8m and are forecasting an overachievement of c£0.582m. The majority of this is due to the additional income received through both decriminalised parking and bus lane enforcement. Legislation states that this income must be ringfenced and only used for transport related expenditure, including road safety, and cannot therefore be used to support the overall Council budgets.

2.3 The table summarises the high level overview of the sales fees and charges budgets for both 2023/24 and the proposed budgets for 2024/25, arrived at following a comprehensive review.

Service Area	**2023/24 Budget £000's**	**2023/24 Forecast £000's**	**Proposed 2024/25 Budgets £000's**
Neighbourhood Services	56,609	54,569	57,367
Growth & Development	31,565	31,791	32,400
Corporate Core	36,757	37,841	37,346
Total	**124,931**	**124,201**	**127,113**

The review of the sales fees and charges, considered the following:

- Budget alignment – ensuring the current budgets accurately reflect the current financial position for each income line. This covers both over and under budget alignment and is activity driven.
- Contractual changes – contractual terms and conditions aften include annual adjustments in line with pre agreed inflationary indices, and it is important that these are captured annually as part of the budget process.
- Cost of delivery – is the business area covering the costs of delivering the service, this is particularly relevant given the recent high inflation rates impacting costs of staffing and other input cost such as supplies and services required to provide services.

2.4 Appendix A sets out details of the current budget, forecast income budgets for 2023/24, and the proposed changes to the 2024/25 budgets arising from each of the areas reviewed above. The table below sets out a summary of the overall changes across each category, and further narrative is provided in the following paragraphs

Type of Increase	**£000's**
Activity Based Changes	(448)
Contractual Increases	738
Inflationary Increases required to cover increased costs	1,107
Inflationary increases to support overall Council Budget	875
Total Proposed Increase	**2,272**

2.5 The recent high rates of inflation makes the annual review process more important to ensure the costs of delivery are recovered, and that there is no cross subsidy to or from other parts of the Council.

As part of the review, equality impact assessments have been undertaken to understand the impact on residents and other service users, alongside the wider impact of any changes on the service.

3. 2024/25 Proposed Changes by Service

The following section summarises the key proposed changes to the income budgets of each service area. Further detail is provided in Appendix A , which details the budgetary impact of the proposed changes by service. Appendix B setting out the detailed listing of both current years prices and proposed prices for 2024/25 which will form part of the overall budget approvals in February.

Neighbourhood Services (Gross Income Budget £56.6m)

3.1 Neighbourhoods Services has a variety of fees and charges and these range from large scale city wide advertising contracts to individual pest control and fleet charges. The table below illustrates the proposed high level changes to sales, fees and charges budgets across Neighbourhood Services Directorate. The changes include reflecting proposed adjustments due to reduce overall activity, contractual price increases and proposed inflationary price increases to cover the cost of service delivery.

	£000's	£000's
Neighbourhoods 2023/24 Budget		56,609
Activity Based Changes	(805)	
Contractual Price Increases	738	
Proposed Inflationary Increases to cover costs	481	
Proposed Inflationary Increases to contribute wider council budget	434	
Proposed 2024/25 Budgets		57,367

<u>Growth and Development (Gross Income Budget £33.6m)</u>

3.2 Growth and Development generates two thirds of its income from rents and leases in the Investment Estate. The majority of the remaining charges are set by Government, or operate on a trading basis which has to cover costs of delivery. In some cases the costs of delivery can be recovered over a number of years, to reflect the variations in activity from year to year.

3.2 The investment estate includes a range of assets, from small scale ground rents, to shopping centre and industrial estate rents. The total number of assets have separate lease arrangements and review cycles. Investment estate rents are affected by the economic climate, with risks around business failures, rent arrears and void periods. These risks are monitored and managed and closely throughout the year.

3.3 Planning fees are set by Government, and during 2023/24 Government have announced a 35% increase in major planning application fees and 25% for all other fees. There is also an annual indexation increase to be applied from April 2025, capped at 10%.

3.4 The table summarises the high level changes across Growth and Development

	£000's	**£000's**
Growth and Development 2023/24 Budget		31,565
Activity Based Changes	170	
Contractual Price Increases	0	
Proposed Inflationary Increases to cover costs	400	
Proposed Inflationary Increases to contribute wider council budget	265	
Proposed 2024/25 Budgets		**32,400**

Corporate Core (Gross Income Budget £36.7m)

3.5 The Corporate Core generates 64% of its income from Bus Lane Enforcement and on street Parking fees and fines, the proceeds of which must be spent on providing transport related services and road safety. Registrars and Communications Services provide some services direct to the public. The remainder of other service income is derived from the delivery of corporate service activity to other Local Authorities or organisations, examples include Legal Services to Salford and Rochdale, Internal Audit and procurement support to Bolton. It is important to note that these arrangements must breakeven, ensure full cost recovery but not make a profit. The advantage to the Council of providing such services is the contribution towards shared overheads and economies of scale.

3.6 The table below provides the high level changes across the Corporate Core.

	£000's	**£000's**
Corporate Core 2023/24 Budget		36,757
Activity Based Changes	187	
Contractual Price Increases	0	
Proposed Inflationary Increases to cover costs	226	
Proposed Inflationary Increases to contribute wider council budget	176	
Proposed 2024/25 Budgets		37,346

Proposed Price Increases

3.7 As outlined in section 2.6, a number of key principles are followed in the setting of fees and charges.

3.8 All traded services are expected to cover their own inflationary costs both for pay and non pay, and in most cases the increased income budgets will fund the increased costs and reduce the call on the Council's overall corporate inflation provision.

3.9 The majority of increases therefore cover costs, however, there are some instances whereby an increase in charges can be used to support the wider Council budgets. The table below sets out a high level summary of the proposed changes that will contribute towards the overall Council budgets. These total £0.875m and if supported will need to be subject to an equalities impact assessment.

Income Generating Area	Proposed Increase £000's	Comments
Advertising Contract	150	Contractual uplifts – there are no restrictions on what this income can be spent on
Waste Collection	6	Increase bulky waste charges to residents by 5%
Compliance	95	Increased charges by 5%
Highways	183	Increase charges for fees, permits by 5%
Investment Estate	250	Result of scheduled rent reviews
Strategic Housing	15	Feed in tariff income from solar installations is increased annually by RPI.
Human resources	25	Increase external payroll costs by 5%
Communications	51	Increase external fees by 5%, this covers translations and M4 printing and design.
Registrars	75	Realign existing income budgets
Capital Programmes	25	Realign existing income budgets
Non DPE – Clamping	37	Realign existing income budgets
Total	**875**	

4. Future opportunities and Risks

4.1 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.

4.2 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	2023/24 Budget £000's	2023/24 Forecast £000's	Activity Based Changes £000's	Contractual Price Increases £000's	Inflationary Increases to cover cost increases £000s'	Inflationary Increases support overall Council Budget £000's	Proposed 2024/25 Budget £000's	Further Narrative
Advertising	4,711	4,932	0	450	0	150	5,311	Two separate competitively let contracts both subject to annual contractual inflationary increases – some savings already assumed, additional £150k proposed
Grounds Maintenance	36	36	0	0	2		38	Need to apply annual inflationary increase to cover increased costs 5% increase assumed
Waste	314	345	0	0	0	6	320	5% inflationary increase applied to bulky waste collections.
Parks & Open Spaces	2,008	2,008	100	0	0		2,108	Initial £427k savings agreed as part of 2021/22 budget – all to be achieved through increased activity aligned to ongoing capital investment.
Leisure & Sport Development	8,674	8,525	0	288	0		8,962	Eastlands rental subject to inflationary uplift capped at 5%, per year the actual is determined by in year performance of MCFC and associated gate receipts – rents are ringfenced to support leisure costs and go via reserve.
Libraries, Galleries & Culture	761	613	(70)	0	0		691	Adjustments to reflect reduced income targets following policy decisions to remove charges.
Neighbourhood Teams	186	226	40	0	0		226	Estate service charge – charges based on cost recovery of actual costs of managing the estate – charges reviewed annually, and increased to align with increased service charges.
Compliance	2,391	2,401	0	0	0	95	2,486	Most of the income are through FPN's and are fixed. 5% inflationary increase applied to other eligible categories and largely cover costs – see appendix b for details.
Pest Control	727	655	0	0	36		763	5% inflationary increase applied
Manchester Markets	12,968	11,399	(1,000)	0	135		12,103	£1m adjustment to reflect ongoing Xmas markets disruption. And reduced footprint – part of budget proposals to be reviewed when Albert Square reopens.
Fleet Services	1,323	1,352	0	0	0		1,323	Majority of external charges are in respect of fuel for waste collection, which is a direct pass through of costs.
Bereavement Services	4,155	4,356	100	0	308	0	4,473	Assumes 5% inflationary increase to cover increased costs.
Off Street Parking	12,698	12,024	0		0		12,698	Parking charges revised and implemented from December 2023,
Highways	3,658	3,698	25	0	0	183	3,866	External fees increased by 5%, mainly developers and utility companies
Housing Operations	1,999	1,999	0	0	0		1,999	Mainly service charges recovered based on actual costs. Costs also sit in HRA
Grand Total	**56,609**	**54,569**	**(805)**	**738**	**481**	**434**	**57,367**	

Service Area	2023/24 Budget £000's	2023/24 Forecast £000's	Activity Based Changes £000's	Contractual Price Increases £000's	Inflationary Increases to cover cost increases £000s'	Inflationary Increases support overall Council Budget £000s'	Proposed 2024/25 Budget £000's	
Investment Estate	22,531	22,867	170	0	0	250	22,951	The investment estate generate rents from a wide range of assets – rents are subject to review in line with lease arrangements - , work is being done to develop a schedule of assets that will include rent reviews
Strategic Housing	1,277	1,238	0	0	0	16	1,293	Increase is in respect of annual uplift applied to feed in tariff income, income comes from PV provider. .
Planning	3,073	3,473	0	0	400	0	3,473	Gov have agreed 35% increase on major planning applications, and 25% on all other applications effective from 1/12/23
Building Control	1,162	815	0	0	0	0	1,162	Fees are ringfenced and operate on a three year trading account basis. – fees are currently being reviewed by the service
Land Charges	274	227	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	1,174	1,099	0	0	0	0	1,174	Fees currently being reviewed by the service
Taxi Licensing	2,074	2,072	0	0	0	0	2,074	Operate on a three year fee cycle and must breakeven year on year
Grand Total	**31,565**	**31,791**	**170**	**0**	**400**	**266**	**32,401**	

Service Area	2023/24 Budget £000's	2023/24 Forecast £000's	Activity Based Changes £000's £000's	Contractual Price Increases £000's	Inflationary Increases to cover cost increases £000s'	Inflationary Increases to contribute wider Council Budgets £000s'	Proposed 2024/25 Budget £000's	
CEX Corporate Items	40	40	0	0	0	0	40	
Human Resources	451	418	0	0	0	25	476	Income from providing payroll services to other organisaions propose to increase by 5%
Legal	5,932	5,967	0	0	226	0	6,158	Inflationary uplift applied to external contract costs to cover pay award.
Communications	1,012	1,012	0	0	0	51	1,063	Provision of printing, translations and design work to third party organisations, and residents and businesses – Propose to increase fees by 5%
Registrars	1,425	1,591	100	0	0	75	1,600	Registrars charge for both certificates and ceremonies – Ceremony prices were increased during 2022/23 to ensure aligned with other Core Cities
Policy	460	344	0	0	0	0	460	
Revenue & Benefits	3,242	3,133	0	0	0	0	3,242	
Finance	239	201	0	0	0	0	239	
Procurement	56	56	0	0	0	0	56	
Internal Audit	115	100	0	0	0	0	115	
Commercial Governance	101	89	0	0	0	0	101	
Capital Programmes	176	212	0	0	0	25	201	Regularly overachieve on income and proposing to realign budgets to activity levels.
Decriminalised Parking	16,616	17,194	0	0	0	0	16,616	On street parking requires change to traffic regulation order – income ringfenced for specific use
Bus Lane Enforcement	6,514	7,056	0	0	0	0	6,514	Income ringfenced for specific use
Non DPE – Clamping	378	418	87	0	0	0	465	Regularly overachieve on income and proposing to realign budgets to activity levels
Grand Total	**36,757**	**37,831**	**187**	**0**	**226**	**176**	**37,346**	

Appendix B – Detailed Listing of Proposed fees and charges for 2024/25

Function	Existing Charge 2023/24	Proposed Charge 2024/25
Library Charges & Fines		
Library Membership	Free	Free
Library Fines on Overdue Books	Free	Free
Loan Charges		
CD's (Music) – (Free for visually impaired)	50p Per Week	50p Per Week
Foreign Language Courses (not ESOL)	£2.50 per week	£2.50 per week
Music sets –	Price on application	Price on application
Company Information - company information, trade mark searches, marketing information and mailing lists from the Business Information Service	Price on application	Price on application
Other Charges		
Lost or Damaged Tickets	£2	£2
Lost or damaged items	Replacement cost	Replacement cost
Administration Charge on lost or damaged items	£2	£2
Photocopying and Printouts		
Black & White A4	20p per sheet	20p per sheet
Black & White A3	30p per sheet	30p per sheet
Colour Copies A4	50p per sheet	50p per sheet
Colour Copies A3	70p per sheet	70p per sheet
Reservations		
Reserve stock not available in Manchester Libraries	£5 per item	£5 per item
Reserve stock available in Manchester Libraries	Free	Free
Internet and Wi- Fi		
Wi Fi Usage	Free	Free

Internet Usage for Library Members	Free	Free
Internet use for non Library Members	£2 per hour	£2 per hour
Meeting Room Hire		
Environmental Health		
Primary Authority (existing MCC Partnerships only). Food & Health & Safety Team & Environmental Protection	£76	£80
Health & Safety - Accident Report	£224	£235
Export Health Certificate	£90 minimum charge plus £90 per hour for additional time	£95 minimum charge plus £95 per hour for additional time
Food Hygiene Rating Scheme Visit	£195	£205
Food pre-inspection	£140	TO BE DISCUSSED AND AGREED WITH AGMA
Business Advice Service (Food & Health & Safety Team & Environmental Protection, Housing Compliance & Trading Standards). **(Includes Export Health Certificate advice and imported food controls advice)**	£90 minimum charge plus £90 per hour or part there of for additional time	£95 minimum charge plus £95 per hour or part there of for additional time
Manchester Airport		
Fish or Fish Products clearance – single vet document	£122, OOH £244	£128, OOH £256
As above – multiple documents, charged per document	£78, OOH £156	£82, OOH £164
Charge for additional time per hour	£88, OOH £176	£92, OOH £185
Products of animal origin other than fish (cleared by the Official Veterinarian Surgeon)	£155 and OOH £310	£163 and OOH £326

As above – multiple documents, charged per document	£78, OOH £156	£82, OOH £164
Charge for additional time per hour	£88, OOH £176	£92, OOH £185
Ipaffs Input – Hourly rate	£85 , ooh £170	£92, OOH £185
Products covered by safeguarding measure or specific legislation such as EC 669/2009, EC1152/2009. Per Common Entry Document or similar documentation	£75 OOH £150	£79 OOH £158
As above, requiring sampling	£132 OOH £264	£139 OOH £277
Charge for additional time per hour	£88, OOH £176	£92, OOH £185
Organic Certificates	£80 OOH £160	£84 OOH £168
Disposal Costs	Min charge £69.00 collection (£37.50 if scheduled vehicle £156.35 if dedicated vehicle fuel surcharge approx £17.84). Disposal rates are a minimum of £0.58 per kilo.	NEED TO BE DISCUSSED WITH THE DISPOSAL COMPANY
Out of Hours call out charge to attend the airport - EHO	£110	£115
Out of Hours call out charge to attend the airport - Vet	£110	£115
Letter confirming products do not require clearance or informing importer of breach of import requirements	£85	£89
Illegal Unregulated and Unreported Fish controls - high risk third country	£58	£61
Illegal Unregulated and Unreported Fish controls - Low risk EU & EEA/EFTA	£58	£61

Trading standards		
Calibration/Verification charges	Weights & Measures Inspector - £90 per hour Assistant - £64 per hour	Weights & Measures Inspector - £95per hour Assistant - £67 per hour
Calibration of weights: < 25kg > or equal to 25kg Adjustment fee	 £18.00 £35.00 £14.00	 £19.00 £37.00 £15.00
Calibration of Non-automatic weighing machines (tested at TS Office) < 30kg > or equal to 30kg<250kg	 £41.00 £75.00	 £43.00 £79.00
Hire of test weights per tonne per day	£89.00	£93.00
Replacement Test Certificate	£15.00	£16.00
Volumes and Capacity		
Measuring Instruments (For liquid fuel or lubricants or mixtures thereof	Hourly Rate (Minimum Charge – 2 hours officer time) £180.00	Hourly Rate (Minimum Charge – 2 hours officer time) £190.00
Capacity Measures, includes Measuring Instruments (Intoxicating Liquor) Calibrations/Verifications of measures of length	Hourly Rate (Minimum Charge – half an hour officer time) £45.00	Hourly Rate (Minimum Charge – half an hour officer time) £47.00
Miscellaneous		

Testing Cancellation Charge (Less than 24 hours' notice)	£90.00	£95.00
Failure to attend charge		
Failure to attend charge	£180.00	£190.00
Equipment not listed with a specific charge (Hourly Rate)	£90.00	£95.00
Equipment must be submitted in a clean condition. Reserve right to charge.	£64.00	£67.00
Primary Authority (existing MCC Partnerships only) **Housing Enforcement and Compliance – Advice to Landlords**	£76.00	£80.00
Landlord Advice	£90.00	£95.00
Immigration Inspection	£173.00	£182.00
Demand Notice	£346.00	£363.00
Advisory inspection up to 10 bedrooms - Detailed written advice Over 10 Bedrooms	£453.00 £90 per additional hour	£476.00 £95 per additional hour
Environmental Protection		
Environmental Searches	Level 1 - £75 Level 2 - £152 Level 3 - £265	Level 1 - £79 Level 2 - £160 Level 3 - £278
Sampling (Private Water Supplies)	Sample visit - £80 Risk Assessment - £233	Sample visit - £84 Risk Assessment - £245

Service Area	2023/24 Budget £000's	2023/24 Forecast £000's	Activity Based Changes £000's	Contractual Price Increases £000's	Inflationary Increases £000s'	Contribution to £1m £000's	Proposed 2024/25 Budget £000's	Further Narrative
Advertising	4,711	4,932	300	150		150	5,311	Two separate contracts both subject to annual contractual inflationary increases
Grounds Maintenance	36	36	0		0		36	Need to apply annual inflationary increase to cover increased costs 5% increase assumed

Waste	314	345	0	0	0	6	320	5% inflationary increase applied to bulky waste collections.
Parks & Open Spaces	2,008	2,008	100		0	0	2,108	Long terms savings asks from increased income, and funding costs of increased salary costs.
Leisure & Sport Development	8,674	8,525	0	0	0	0	8,674	Waterfall is subject to inflationary uplift capped at 5%, effective July 2023 - will be ringfenced via reserve .
Libraries, Galleries & Culture	761	613	0	(70)	0	0	691	Adjustments to reflect reduced income targets following policy decisions to remove charges, need to vire from existing budgets
Neighbourhood Teams	186	226	0	0	0	0	186	Estate service charge – charges based on cost recovery of actual costs
Compliance	2,391	2,401	0	0	0	95	2,486	Most income charges are in respect of FPN's and fixed, small inflationary increase applied.
Pest Control	727	655	0	36	0	0	763	
Manchester Markets	12,968	11,399	0	(1,000)	0	135	12,103	£1m adjustment to reflect ongoing Xmas markets disruption.
Fleet Services	1,323	1,352	0	0	0		1,323	Assumes 5% inflationary increase to external customers
Bereavement Services	4,155	4,356	100	308	0		4,473	Assumes 5% inflationary increase to cover increased costs.
Off Street Parking	12,698	12,024	0			0	12,698	Parking charges revised and implemented from December 2023,
Highways	3,658	3,698	25	0	0	183	3,866	External fees increased by 5%, following 11% increase last year
Housing Operations	1,999	1,999	0	0	0	0	1,999	Mainly service charges recovered based on actual costs. Costs also sit in HRA
Grand Total	**56,609**	**54,609**	**525**	**(576)**	**0**	**569**	**57,126**	

Service Area	2023/24 Budget £000's	2023/24 Forecast £000's	Approved Budget Adjustments £000's	Other Adjustments £000's	Contractual Price Increases £000's	Proposed Price Increases £000's	Proposed 2024/25 Budget £000's	
Investment Estate	22,531	22,867	170	0		250	22,951	Rental income, work being done to develop schedule, to include scheduled rent reviews
Strategic Housing	1,277	1,238	0	0	0	15	1,292	
Planning	3,073	3,473	0	0	0	0	3,073	Large increase effective December 2023

Building Control	1,162	815	0	0	0	0	1,162	Fees currently being reviewed by the service
Land Charges	274	227	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	1,174	1,099	0	0	0	0	1,174	Fees currently being reviewed by the service
Taxi Licensing	2,074	2,072	0	0	0	0	2,074	Operate on a three year fee cycle and must breakeven
Grand Total	**33,567**	**31,793**	**170**	**0**	**0**	**265**	**32,002**	

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Manchester City Council
Report for Information

Report to:	Resource and Governance Scrutiny – 8 February 2024 Executive – 14 February 2024
Subject:	Corporate Core Budget Proposals 2024/25
Report of:	Deputy Chief Executive and City Treasurer

Summary

Local Government is under profound financial pressure, largely due to externally driven cost and demand pressures at a national level particularly affecting Adults Services, Children's Services and Homelessness. It is in this context that the Council must set a balanced budget.

Following the provisional finance settlement announced 18 December the Council is forecasting an estimated budget shortfall of £38m in 2024/25, £79m in 2025/26, and £90m by 2026/27. After the application of approved and planned savings, and the use of c.£17m smoothing reserves in each of the three years, the budget is balanced for 2024/25 and the remaining gap reduces to £29m in 2025/26 and £41m by 2026/27. This position assumes that savings of £21.4m will be delivered next year.

This report provides a further update to members on the priorities for the Corporate Core Directorate and details the changes to the initial revenue budget options proposed by officers in November 2023. Each scrutiny committee has been invited to consider the proposed budget changes that are within their remit and to make recommendations to the Executive as part of the budget process.

Recommendations

The Committee is recommended to: -

(1) Consider and comment on the forecast medium term revenue budget
(2) Consider the content of this report and comment on the proposed budget 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 2024/25 revenue budget set by Council on 1 March 2024.

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.

Medium Term Financial Strategy and 2023/24 Revenue Budget – Executive 15 February 2023
Revenue Budget Update 2024/2025 - Resources and Governance Committee 7 September 2023
Revenue Budget Update and Corporate Core Budget Proposals 2024/25 - Resources and Governance Committee 9 November 2023
Provisional Local Government Finance Settlement 2024/25 and Budget - Resources and Governance Scrutiny Committee 11 January 2024

1. Corporate Core - Service Overview and priorities

1.1. This 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 based on the latest overall budget position.

1.2. The Corporate Core is made up of Chief Executives and Corporate Services and has a gross budget of c. £333m and a net budget of c. £109m. The Directorate employs 2,067 fte. The 2023/24 base budget and fte numbers are shown broken down by service area in the table below.

Table One: Base budget 2023/24

Chief Executives	**2023/24 Gross budget £'000**	**2023 / 24 Net Budget £'000**	**2023 / 24 Budgeted posts (FTE)**
Coroners & Registrars	3,925	2,499	50
Elections	1,380	1,154	12
Legal Services	17,905	10,823	307
Communications	4,539	3,525	78
Executive	1,083	1,083	12
Policy, Performance & Reform (PRI)	18,665	16,349	92
CEX Corporate Items	1,345	1,215	0
Total Chief Executives	**48,842**	**36,648**	**613**
Corporate Services	**2023/24 Gross budget £'000**	**2023 / 24 Net Budget £'000**	**2023 / 24 Budgeted posts (FTE)**
Finance, Procurement & Commercial	11,012	8,657	221
Governance			
Revenue & Benefits and Customer	221,772	18,303	524
Services	16,909	16,909	157
ICT	6,047	5,222	161
Human Resources & OD	1,993	1,810	47
Audit, Risk & Resilience	27,011	22,068	344
Cap Prog, Operational Prop & FM			
Services			
Total Corporate Services	**284,744**	**72,969**	**1,454**
Grand Total Corporate Core	**333,586**	**109,617**	**2,067**

The above budgets include:-

- Revenue and Benefits £179.1880m subsidy support to cover costs of Housing Benefit and rent rebates to Manchester residents, £2.646m discretionary housing support and £1.3m welfare provision

- City Policy £4.844m support to voluntary organisations and £6.261m support to culture and other projects
- ICT £8.846m hardware, software, maintenance, and licence costs
- Operational property £22.383m for premises costs

1.3. 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.

1.4. 2024/25 will remain a busy year for the Corporate Core. Some of the priorities and changes for next year include:-

- Supporting development of the refresh of Our Manchester Strategy, Economic Strategy and preparation of the next five year climate change action plan.
- Leadership for the new Medium Term Financial Plan, Capital Strategy and Asset Management Plan.
- Supporting our workforce with the development of the Workforce Strategy, delivery of the Workforce Equalities Plan and considering what good work looks like as part of the Future Shape Programme.
- Continued delivery of support to residents whilst maintaining levels of council tax and business rates collection.
- Implementation of a new ERP (finance and HR) system
- Delivering further electoral reform changes with the potential for a general election.

1.5. The focus will also be on the continued delivery of the five year Future Shape Programme. This includes:

- Resident and Business Digital Customer Experience (RBDXP) - to significantly improve how residents, businesses and councillors interact with the council. Following procurement of the new technology and implementation partner in 2023 work has been progressing well with implementation and it is expected that parts of the new system will go live in March 2024. Once complete, phase one is estimated to achieve a further 20% channel shift, by moving c295k of non-digital contacts to digital.

- Digital Data and Insights - to implement new back-office digital technology and process changes required for the council to work smarter and more efficiently. The MCC ICT and Digital Strategy was approved by Executive in October 2022 and is accompanied by a Technology Roadmap. The new Target Operating Model for ICT is being completed with an implementation timeline during 2024.
- Ensuring the Council has an effective Corporate Core - Improving internal interactions with core services, focusing on self-serve, centres of excellence and collaboration. This includes the replacement of the core ERP system (SAP). The procurement decision for the new ERP system is due in February 2024 to be implemented in 2025/26.
- Ensuring our workforce can thrive in the workplace with the right tools, skills and support; offices are hubs of activity, collaboration and productivity with a strong connection to the place and communities they are in.

Service budget and proposed changes

1.6. The Corporate Core has delivered savings of £3.365m in 2023/24 and currently has approved savings of a further £2.734m over the next three financial years with £0.677m scheduled in 2024/25.

1.7. The already approved £0.677m savings for 2024/25 are split between Future Programme savings £472k and general housekeeping savings £205k with full details set out in Appendix 1 (Savings Schedule)

Future Shape and Transformation Programme

1.8. As part of the Future Shape programme an initial benefits realisation programme was agreed in 2023/24 with an ambition to deliver almost £5m of savings over a five-year period, of which £2.339m is set out at Appendix 1 and programmed for delivery over the next three years 2024/25 - 2026/27. These include: -

1.9. An initial £200k from Customer Services in 2025/26 and a further £450k in 2026/27 onwards from the anticipated 20% shift to digital channels through the new customer offer and RBDXP programme. Phase Two will deliver further saving/efficiencies as additional services outside of the customer contact centre are transitioned to the new digital platform. It remains too early to accurately quantify total savings from this programme over both phases. The aim is to achieve up to £1.5m p.a. through the further rationalisation of systems as more services and systems are delivered through the new digital platform. 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.

1.10. The changes being delivered through the ICT Strategy and Technology Roadmap include a programme of savings and efficiencies including:

- Review and 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.

1.11. These proposals are estimated to achieve £259k over the next three-year period with £50k in 2024/25.

1.12. Benefits from the replacement of the current Finance and HR system, which is scheduled for go live in 2025/26 includes total savings of £0.865m over the three year period with an initial £250k in 2024/25.

1.13. In addition to the approved future shape programme other savings were identified and approved as part of the 2023/24 budget process. These total £395k with £205k in 2024/25. The savings include additional income, reduced mailroom costs, reduced grants to football museum and other housekeeping savings.

Support For Residents

1.14. Investment of £5.55m was approved in 2023/24 to provide additional ongoing capacity to support residents in response to the cost of living crisis.

1.15. Evidence shows that there are over 100,000 households in Manchester, which struggle with cost-of-living pressures. In response, the Council reinstated the Residents at Risk group in October 2022. The group brings together MCC services and health partners to support our residents and neighbourhoods who need it most. Underpinned by the Cost of Living Advice Line (freephone & online), the offer includes financial support and advice, community food response, support for VCSE organisations to increase their resilience and capacity, targeted support for communities experiencing the most adverse impacts, neighbourhood response with events targeted at priority wards, warm spaces, work with schools and digital inclusion.

1.16. Of the £5.55m investment, £3.55m was providing direct support to residents, this is ongoing, and officers have undertaken work to consider how to most effectively target resources to provide the support most needed by residents, whilst starting to achieve the shift towards tackling health inequalities. This has made extremely difficult by the loss of Household Support Funding, which is likely to lead to an increased demand for council funded support. A report was taken to RAGOS in January 2025 on Anti Poverty Budget Options and the recommendations in that report have been incorporated into the below.

Table two: Cost of Living Budget allocations

	2023/24 Allocations £000's	Proposed 2024/25 Allocations £000's	Comments
Food Response	1,200	1,300	Working with Community Food partnership and purchasing ambient food stock for access by food providers
Local Welfare Provision	650	0	Additional funding for the Local Welfare Provision scheme. The funding helps cover essential costs for households, including one off crisis payments, basic white goods and furniture for residents moving from temporary accommodation. These costs will now be funded from the existing mainstream budgets.
Discretionary Housing Payments	500	400	The primary aim is to support people in their own tenancies and to help prevent people becoming homeless.
Community Health Equity for Manchester (CHEM)	250	250	To support Communities experiencing racial inequality and other inequalities more likely to be impacted by the cost-of-living crisis.
Support to VSCE	600	700	To increase the capacity of the VSCE sector to respond to the cost of living crisis in the wards most affected and citywide.
Expand advice and debt offer	250	100	Expand the advice and debt support offer across the City.
Other	100	307	Incudes additional communication and engagement for residents and support to increase digital inclusion.
Carers Leavers support payment		208	To provide £10 per week to a growing cohort of c400 care

			leavers. This was previously funded as part of HSF.
Holiday Activity Fund (HAF)		285	This is to compliment the £4.1m government funding to enable activities to take place in half terms and well as the main school holidays. This was previously funded as part of HSF.
	3,550	**3,550**	

1.17. The other £2m was to provide additional targeted support to vulnerable residents and the voluntary sector.

1.18. In June 2023, the Council's Executive agreed that this would be used to fund a range of flexibilities in the approach to Council Tax collection and recovery, including a more generous approach to making Discretionary Council Tax Payments (DCTP) to residents between now and the end of March 2024. This allows payments of up to £500, or an amount equivalent to three monthly instalments, to be made by staff in the Customer Service Organisation where they believe it will allow residents to continue to meet their regular monthly instalments in the future.

Other flexibilities include:

- An informal breathing space for residents when referred by an Advice Agency or a Manchester Councillor
- Writing off all but the most recent set of summons costs when a resident in receipt of maximum CTS engages with the Council Tax Service. Non collection of these costs has already been accounted for in the Council's bad debt provision.
- Writing off summons costs incurred in the current year when residents who have been summonsed contact the Council to make an arrangement.

1.19. Following the more generous approach to DCTP agreed by the Executive in June 2023, by the end of November 2023 more than £133k has been paid out to residents who are struggling, compared to £46k in the whole of 2022/23. If payments under the scheme continue at the same rate, around £255k will be spent by March 2024, over £200k more than last year.

1.20. Similarly, summons costs have been withdrawn at a faster rate than last year since the Executive meeting in June. £441k of

1.21. These flexibilities have been widely welcomed by advice agencies in the city, but the original intention was that the more generous approach to DCTP and the withdrawal of summons costs would last until March 2024. However, it is because of the popularity with the third sector, who have recognised the benefits to residents, and the flexibility this gives to staff in the Council Tax Service and the Customer Service Organisation to support people struggling to pay their Council Tax, this approach will continue beyond April 2024 to ensure that all of the £1 million is spent supporting Manchester residents. The additional costs from the additional support measures will be met from carrying forward the underspend from 2023/24 and the balance of the £1m allocated to fund the changes to the CTSS.

1.22. Therefore, of the £2m additional funding:

- £1m is providing support 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 has been allocated as part of the Our Manchester grants programme.
- £1m will be used to fund the continuation of the flexibilities in council tax collection outlined above alongside an estimated £770k for the proposed changes to the Council Tax Support Scheme which was approved by Executive in January 2023. The changes followed a consultation exercise and include:-
    a. Increase the maximum CTS award from 82.5% to 85% for working age households
    b. Adjust the universal credit excess income bands upwards by 2.5% to maintain parity with the 85% maximum award
    c. Extend the maximum backdating period from 6 months to 12 months.

1.23 Updated information on what this means residents on CTS will pay on their council tax bill including any GM precepts for Police and Fire will be provided as part of the full Medium Term Financial Plan.

1.24 Following representations from ACORN and Debt Justice, the Council has now stopped referring accounts to Enforcement Agent companies where they are in receipt of partial CTS. Previously it was only cases where residents were in receipt of maximum CTS that were not referred.

1.25 The council are also working to ensure that Enforcement Agents are not used for those entitled to, but not in receipt of CTS. Where a claim has been received If a claim is in progress then this can be easily resolved. However, if someone is entitled to CTS but has not submitted an application, the council would not know. The resident would need to demonstrate entitlement to the EA who should return the account to the Council. Unfortunately, the information to determine eligibility for CTS is not held by the council when the resident is in receipt of UC and they need to make a separate claim.

1.26 The Household Support Fund (HSF) scheme was introduced by Government in response to the cost of living crisis in September 2021, and in 2023/24 the Council have received Government Grant of £12.9m through the HSF. This has provided direct support to the most vulnerable residents in the form of cash grants and free school meals. The HSF4 funding was operating alongside the additional £3.5m Council investment (See para 9.18) into providing cost of living support to Manchester residents.

1.27 It has not been confirmed if the HSF will continue for 2024/25 and no announcements have been made to suggest it will. The last window to announce this will be the Chancellors Budget in March 2024. If there is no further funding the Council will be unable to continue with the scheme into 2024/25.

1.28 Should further Government Funding be announced that replaces or continues with the HSF there are identified priorities for funding the Anti Poverty Strategy and Making Manchester Fairer that could be brought forward.

2. New Savings Proposals

2.1 In addition to the already approved savings and in recognition of the work required to balance the overall council budget, further options for savings have been developed, and the areas considered include the following.

- Review of workforce structures and capacity alongside taking a realistic view on the ability to fill longstanding vacancies.
- Review all income generation from sales, fees and charges and whether there are opportunities to increase charges in line with inflation and increase income.
- Review all savings proposals that have not been taken forward as part of the 2023/24 budget process.

2.2 The measures proposed are set out below: -

- Additional income of £130k:
    - £50k from increased vehicle clamping income.
    - £80k from increased registrars income following the price increase that was introduced during 2023/24 which aligned Manchester registrars fee levels with that of other Core Cities.

2.3 The Council's staffing establishment is budgeted at the top of the grade, with an allowance made to allow for vacancies, staff not being at top of grade and in year turnover. Despite this, staffing budgets have continued to consistently underspend across all directorates. All vacant posts have been reviewed, with a focus on those that have been vacant for longer than 12 months, to determine which posts should be deleted with the least impact on service delivery. As part of the Council wide £1m saving from vacant posts the Corporate Core has identified total savings of £286k through deletion of 8 long term vacant posts.

2.4 The continued challenges in filling posts also means that the council is continuing to work on ensuring we are seen as an employer of choice.

3. Growth and Pressures 2024-27

Growth Approved 2023/2024

3.1 As part of the 2023/24 budget approvals budget growth of £0.783m was approved for 2024/25 and this was in respect of: -

3.2 As part of the original end user device strategy in 2020 it was agreed that a regular refresh programme of ICT equipment would be undertaken, and an annual budget of £0.75m was approved from 2024 as part of the 2023/24 budget to support the ongoing costs of the refresh programme.

3.3 £33k growth was also agreed to offset pressures in HROD £23k due to reduced school income for payroll services, and £10k in financial management to cover increased costs of Civica Pay licences.

Proposed Growth 2024/2027

3.4 In addition to the above growth approved as part of 2023/24 budget process further budget proposals of £8.123m are proposed, with £4.123m being required in 2024/25. The Growth items are set out in **Appendix 2**, with further details set out below; -

ICT Investment

3.5 The report to November RAGOS set out the proposed additional investment of £2m for ICT investment and a further £1.5m to support the operating model, with a fuller update to be included as part of the February Budget Report. The below provides further information on the required investment.

The ICT and Digital Strategy has been approved by Executive and outlines the vision for how the Council wants to work in a digitally enabled way. The main objectives are to:

- Action the ambition to be a Digital-first and Cloud-first organisation
- Align to the Council's wider Digital Strategy and other MCC strategies, developing cross cutting initiatives e.g., data management policy; carbon reduction ambition.
- Move ICT provision from a traditional transactional service to a more strategic and influencing focused service.
- Deliver secure, stable, and compliant operational services
- Innovate and influence new ways of working through exploitation of modern technology

3.6 Historically the condition of the infrastructure and investment profile over the preceding years meant that the ICT investment strategy was focused on getting the basics in place - infrastructure, resilience, core platform upgrades and cyber security and disaster recovery. The ICT and Digital Strategy will continue this critical work but also look to focus on helping the Council become more digitally focused, innovative, data-led and cloud native. Alongside this has been the programme to replace some of the Council's major legacy systems which are no longer fit for purpose and reaching end of life. An example is the replacement of the Customer Relationship Management System which is due to go live at the end of the financial year and the recent contract award for the replacement for the current SAP system operates the finance, HR and payroll functions.

3.7 ICT projects have been historically funded through capital (with some revenue funding required where there is no 'asset' created). The average annual investment has been approximately £7.4m a year. With the change to cloud first, and software as a service (SaaS), ICT & Digital projects are fundamentally moving away from capital investments where a physical asset is created and hosted on site, to becoming a cloud-based subscription and licensed solution which are externally hosted. This means that they have to be funded from the revenue budget. The current approved investment programme for ICT in 2024/25 is c£15m. The ongoing pressures on the revenue budget mean that the level of investment is having to be reviewed with an initial £2m investment in 2024 and an increase of £2m per year in subsequent years. This investment will need to cover costs of both implementing the required changes, and the additional subscription costs from introducing cloud-hosted solutions.

3.8 As the amount of funding available to support new projects and programmes is changing, it is critical that ICT works with Service areas to plan and prioritise the pipeline of change activity over the next few years. The Digital Design Authority, with the Executive Member for ICT attending, will continue to form an important part of this governance.

3.9 ICT remain committed to supporting the Council to achieve its ambitions. The future priorities include:

- Delivering an improved service to our residents and businesses through the implementation of a new Customer relationship Management (CRM) system and website through the Resident and Business Digital Experience Programme.
- The replacement of the council's main Finance, Procurement and Human Resources system (SAP).
- Putting the foundations in place to transition to a hybrid cloud approach that will see a migration of services to the cloud to reduce costs and improve resilience.
- Further embedding the systems and processes from the old Northwards Housing organisation into Housing Services.
- Updating several legacy line of business applications to support ongoing Service improvements

3.10 The ICT Service was last restructured in 2019 and whilst there have been significant improvements in service delivery and improved reliability and stability of the Service, the requirements of an ICT service have changed substantially with the development of the hybrid cloud and the organisational requirement for a fresh, digital approach. It is becoming increasingly challenging for ICT to deliver these requirements and meet the increasing levels of demand from cyber security and the volumes of change being delivered. In addition, almost £0.9m of the staffing costs have been previously recharged to capital to support the implementation of the capital investments and £431k of staffing posts have been directly charged to capital. For the reasons outlined above these costs will now have to be funded from the revenue budget. There is also a mismatch of skills to new requirements and historic savings that have been met through holding vacancies while the new operating model is developed. All these issues need to be addressed.

3.11 ICT have developed a Future Operating Model to support the current and emerging requirements, driven by changes in the way technology services are delivered. A new structure is planned to be implemented early in 2024/25 that will be transitioned to over a 3–5-year period in line with changes to digital, data and technology services. This will address: -

- The support of services switching from capital to revenue funding.
- The heighted Cyber Threat that all organisations are facing from attacks whilst ensuring we minimise our attack surfaces.
- Increased contract and license management from the move towards subscription and cloud consumption from traditional capitalised hardware and perpetual licensing.
- An increased focus on product management to work with the organisation to maximise the use of our investments in digital, data and technology.
- The reliance and expectations of the organisation on our support teams to meet the demands of a digital centred organisation and to support work within the Council to maximise the potential of digital capabilities.
- Transforming the Enterprise Architecture function to become the digital advisors to the organisation whilst ensuring the technical architecture is fit for purpose.
- The growing requirements to support Housing Operations.
- Recruitment and retention issues when completing to attract resources in the fastest growing digital region in Europe.
- Delivering capabilities which will allow the organisation to make improved use of data leading to the use of artificial intelligence enabled services.
- Implementing a flexible and career graded structure to enable the council to ‘grow our own’ subject matter experts who can see a future within MCC using modern apprenticeships.
- A move to significantly reduce contractor spend.

3.12 The total estimated costs of supporting the shift from capital to revenue and to meet the growing demands on the service are estimated to cost an initial £2m, in 2024/25 and this is increased by a further £2m per annum 2025/26 and 2026/27. This is being phased in line with the shift towards revenue funding and the development of the new operating model with a proposed total of £1.5m additional funding phased £1m 2024/25 and a further £0.5m 2025/26.

External Audit

3.13 External Audit fees are set by Public Sector Audit Appointments Ltd (PSSA), who are a not-for-profit organisation. Due to the increased volume of work required in recent years PSSA have stated that the 2024/25 external audit fees will increase by up to 150%, and a budget increase of £290k is required to cover the increased costs in 2024/25.

4. Government Grants 2024-27

4.1 The range and diversity of grants from government has increased markedly over the past few years and tend to be targeted at specific government departmental objectives. Table 10 sets out details of both the current and forecast grant funding within the Corporate Core.

Table three: Government Grant Allocations (£m)

Service	Grant Name	23/24 £000's	24/25 £000's	25/26 £000's	26/27 £000's
Revenue & Benefits	Voluntary War Pension	43	43	43	43
Revenue & Benefits	Housing Benefits	127,519	127,519	127,519	127,519
Revenue & Benefits	Non-HRA Rent Rebates	12,900	12,900	12,900	12,900
Revenue & Benefits	Rent Reb awards	24,488	24,488	24,488	24,488
Revenue & Benefits	New Burdens	500	500	500	500
Revenue & Benefits	Discretionary Housing Payments	1,396	1396	1396	1396
City Policy	Grow Green	137	0	0	0
City Policy	Climate Change	9	0	0	0
City Policy	ERDF UGEGM	25	25	25	25
City Policy	ERDF R&I Bio	46	46	46	46
Elections	General Election	90	0	0	0
Elections	New Burdens Funding	0	141	0	0
Corporate Items	Redmond Review	83	83	83	83
Elections	Elections	185	0	0	0
Performance, Research & Intelligence	Transparency Grant	13	0	0	0
Performance, Research & Intelligence	HDRC	0	255	1,250	1,250
Total		**167,434**	**167,396**	**168,250**	**168,250**

4.2 The Corporate Core main source of grant income is in respect of housing benefit subsidy support, this cover rent allowances and council tax benefits, the amount received is based on the actual volume and value of applications received and processed in year.

4.3 The majority of other grant income received are one off and time limited for specific projects or activities.

5. Sales, Fees, and Charges

5.1 As part of the net Corporate Core budget there are income budgets of c£33.1m for sales, fees, and charges. The main area of charges are:

- service provision to other local authorities or public organisations,
- fees and penalty charge notices for on street parking and bus lane enforcement
- Charges for goods and services to residents and businesses.

5.2 The table below provides a high level summary of the current budgets for sales, fees and charges across within the Corporate Core.

Table four: Summary of sales, fees and charges budgets

Service Area	2023/24 Budget £000'S	Comments
Local Authorities/Public Sector Organisations		
Human Resources	451	Charges are made for payroll services and provision of DBS certificates to other organisations, including schools.
Legal	5,932	Charges to recover the costs of legal services provided to Salford, Rochdale (Children's Legal Services) and work for GMCA.
Procurement	56	Charges to recover the costs of procurement services provided to Bolton Council.
Internal Audit	115	Charges to recover the costs of internal audit services provided to other authorities including Bolton Council.
Commercial Governance	101	Company secretary services are provided to other organisations through a separate company.
Services to Residents and Businesses		
Registrars	1,425	Registrars charge residents for issuance of Certificates in relation to births, deaths and marriage and also for undertaking both marriage and civil partnership ceremonies.
Finance	239	Fees charged to residents for undertaking the deputyship role, i.e. managing residents financial affairs if they are unable to do so.
On Street Parking	16,616	Income from on street parking fees and penalty charge notices, the income is used to cover the costs of funding the parking and enforcement service, and any surplus must be credited to a reserve and any use is limited under statute and must be used for transport related expenditure. full details are set out in the MTFP and Reserves Strategy.

Bus Lane Enforcement	6,514	Income from bus lane enforcement is statutorily restricted in what it can be used for. It is used initially to fund the costs of enforcement, and any surplus must be ringfenced for specific use, this includes 1. Provision or operation of public passenger transport, and 2. Highway improvement projects.
Clamping	378	Vehicles can be clamped or removed if the driver has a number of unpaid parking tickets, the car is not registered with DVLA or the vehicle is untaxed. In order to retrieve the vehicle the vehicle owner has to pay either a clamp release fee, or a release fee if the vehicle has been impounded.
Communications	1,012	Provision of interpretation and Translation services including British Sign Language and provision of professional printing and finishing service.
Other		
Policy	48	The Council has a statutory duty to name and numbers streets, fees are payable by developers to register new streets names.
Capital Programmes	176	The Council is in partnership with other LA's and operates a construction and professional services framework whereby other public sector organisations can use the frameworks to access required professionals, fees are payable for accessing the framework.
Other	40	
Grand Total	**33,103**	

5.3 As part annual budget process all sales, fees and charges have been reviewed to ensure that they are services are fully recovering fees where appropriate and the budgets reflect the level of income likely to be received.

5.4 As part of the review it was recommended that some external charges are increased by up to 5% from 1st April. Rather than increasing by September CPI which was 6.7% it was proposed to cap the non-contractual increases at 5%. The increases are projected to generate a further £266k which has been included in the overall budget as part of the £1m increased income from sales fees and charges. Details of these changes are set out in the table below:

Table five: Proposed inflationary increases to income.

Income Generating Area	Proposed Increase £000's	Comments
Human resources	26	Increase external payroll costs by 5%
Communications	52	Increase external fees by 5%, this covers M4 printing and design.
Procurement	4	Increase external charges by 5%
Internal Audit	10	Increase external charges by 5%

Commercial Governance	15	Increase existing external charges
Registrars	80	Realign existing income budgets
Capital Programmes	25	Realign existing income budgets
Non DPE – Clamping	54	Realign existing income budgets
Total	**266**	

5.5 Following the review it is proposed to increase income budgets overall by £0.625m. Of this £133k is as a result of updating budgets to reflect current activity and income and the rest is through increased charges.

Table six: Overall proposed changes to income budgets

	£000's	£000's
Corporate Core 2023/24 Budget		33,103
Activity Based Changes - £100k for registrars and £33k from charges to release vehicles for being clamped post persistent parking offences or non taxed vehicles.	133	
Proposed Inflationary Increases to cover costs- – increased charges to reflect the costs of staff pay award on legal services provided to other local authorities.	226	
Proposed Inflationary Increases as per table 11 above.	266	
Sub Total Changes		**625**
Proposed 2024/25 Budgets		**33,728**

5.6 Appendix 3 provides an overview of the forecast medium-term budgets by service. Appendix 4 provides an objective analysis of the 2023/24 budget to also set out the key areas of income.

6. Commissioning and procurement priorities

6.1 Contract sessions with directorate management teams were initially established in September 2023 and now take place on a quarterly basis with next sessions scheduled for February. The aim of these is to support management teams to understand both their current contractual position and contract spend, and to develop an agreed pipeline of future commissions.

6.2 A new Contract Management System is expected to go live during the current financial year. Once operational this will provide Directorates with consistent contract performance information to support contract managers to ensure that contracts deliver against expectations and that opportunities for improvement can be identified and realised more easily. The system will also enable services to identify and proactively plan for the pipeline of upcoming procurements to enable all contracts to be competitively tendered.

6.3 The team have now developed and rolled out a 'Spend Analysis' tool, this is shared quarterly with Directorate Management Teams' and aids their understanding of key supplier relationships, and corresponding contractual relationships. It is also being used to drive innovation in the procurement and commissioning team, by providing a new way to assess spend across the council.

6.4 The new Procurement Act received Royal Assent in late October 2023 and will be in force from October 2024 onwards with a six month transition period to prepare all necessary templates and tender documentation in order to take advantage of the new flexibilities available under the new regulations. This will include rolling out training across the council to ensure visibility of the changes amongst service units.

6.5 A significant additional workload will be generated by the Transparency Reporting arrangements under the new regulations which include a requirement to post details of contract awards and termination details as well as to report on delivery against Key Performance Indicators within major contracts by uploading information onto a database that is to be managed by the Cabinet Office. The Contract Management System and Spend Analysis tool will be valuable in providing information to support this new reporting regime.

6.6 In parallel to the new procurement regulations, the long-awaited regulations for the new Provider Selection Regime (which applies to healthcare procurements) were laid in Parliament in mid-October and came into force on 1st January 2024 to provide a mechanism to avoid unnecessary competition in certain limited circumstances and to direct award contracts where it is considered that tendering would be unlikely to generate sufficient interest from suppliers to justify the exercise. The draft regulations and statutory guidance have been shared with Public Health, Legal and Procurement colleagues to assist with planning and workshops will be held during the lead in period to run through the detailed workings as there will be new requirements not only in terms of procurement procedures but also for contract notices and auditing of decisions made under the Regime.

6.7 The Unit has a significant role in supporting the work of the Major Contracts Review Board which was established in early 2023 and intended to provide assurance for the council that appropriate and robust management arrangements are in place for the council's Gold rated contracts. The Board meets on a 6-weekly cycle and, following an intense period of work to establish the Board's working practices, IC&P has produced a forward plan of contracts for future scrutiny and developed a Delivery Model Assessment and a Sourcing Policy which will go to Executive for Approval in the next 2-3 months.

6.8 The Core has a number of high-value procurements and contract implementations in the pipeline including, but not limited to the following:

- Implementing the Power Purchase Agreement which was procured earlier this financial year and which will come onstream in 2025, £42m total value.
- Gas, contract value in the region of £8m. First call-off contract to be procured imminently ahead of 2024/25.

- VCSE Infrastructure Support Service, £2.8m total. Aim for contract award in February; the contract introduces new elements which will need to be implemented over the coming year.
- North West Construction Hub Low Value Framework which is close to award stage, £400m. This framework will be used for procuring low value construction works contracts.
- Electric Vehicle Charging, timescales and value are to be confirmed in due course. The council is looking at options for electric vehicle charging capacity across the city.
- Security - approximately £6m per annum. Procurement will take place in 24/25 ahead of an April 2025 start.
- A number of high value ICT contracts including the implementation of the new Finance and HR system, the procurement of which is currently in the final stages.

7. Workforce Implications

7.1 Corporate Services currently has 2,067 FTE, the savings proposals outlined in appendix one indicates a reduction of 35 fte over the 3-year period. This will be managed through natural turnover and management of vacancies.

Vacancy Factor

7.2 Whilst 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. As part of looking to reduce staffing budgets without impacting on services a review of all current long term vacancies has been undertaken and 8 long term vacant posts are proposed for deletion, this will realise savings of £286k in 2024/25 and full details are set out at para 2.3.

7.3. 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.

8. Equality and Anti-Poverty Impact

8.1 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.

8.2 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.

8.3 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.

9. Future opportunities, Risks and policy considerations

9.2 The Core continues to support residents and businesses with the ongoing implications of the current economic climate are still unknown, this is having 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 climate and particularly higher rates of inflation is leading to increased contractual costs for goods and services across all services.

10. Conclusion

10.1 This report sets out the estimated budget position for the next three years and the recommended budget changes for the Corporate Core.

Appendices

Appendix 1 - Savings Schedule

Corporate Core

	Description of Saving	Type of Saving	RAG Impact	Amount of Saving 2024/25 £'000	2025/26 £'000	2026/27 £'000	Total £'000	Indicative FTE Impact
2023/24 Approved Savings:								
Resident and Business Digital Experience								
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	Efficiency	Green	0	200	450	650	**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	Green	25	25	0	50	
	Rationalise Wi-Fi providers	Efficiency	Green	0	184	0	184	
	Due to changes in working arrangements, reduce both the number of printers across the estate and the volume of prints.	Efficiency	Green	25	0	0	25	
Finance, Procurement & Commercial Governance	As part of the planned change in ERP system there will be increased efficiency through standardisation of processes,	Efficiency	Green	200	200	200	600	**12**

	Description of Saving	Type of Saving	RAG Impact	Amount of Saving 2024/25 £'000	2025/26 £'000	2026/27 £'000	Total £'000	Indicative FTE Impact
	training of budget holders and self-service.							
HR/OD	Replace existing ATS software to improve recruitment processes and new front Door implementation.	Efficiency	Green	50	65	150	265	**3**
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	Green	122	125	168	415	**5**
Legal	Increased income through review of fees and charges	Income Generation	Amber	50	100	0	150	
Total Future Shape				**472**	**899**	**968**	**2,339**	
City Policy	Reduce strategic cultural grant to NFM	Efficiency	Green	50	0	0	50	
Communications	Review print and mailroom processes	Efficiency	Green	35	70	0	105	
Registrars	Review existing fees and charges to align with other Core Cities	Income Generation	Green	20	0	0	20	
Corporate Core	NI and Superannuation savings through introduction of electric car leasing	Efficiency	Green	100	120	0	220	
Housekeeping Sub Total				**205**	**190**	**0**	**395**	
New 2024/25 Savings:								

	Description of Saving	Type of Saving	RAG Impact	Amount of Saving				Indicative FTE Impact
				2024/25 £'000	2025/26 £'000	2026/27 £'000	Total £'000	
Registrars	Review existing fees and charges to align with other Core Cities	Income Generation	Green	80	0	0	80	
Corporate Core	Share of the £1m workforce savings.	Efficiency	Green	286	0	0	286	
Customer Services	Clamping Income	Income generation	Green	50	0	0	50	
New 2024/25 Total				**416**	**0**	**0**	**416**	
Sales Fees & Charges Savings:								
Registrars	Review existing fees and charges to align with other Core Cities	Income Generation	Green	80	0	0	80	
Corporate Core	Share of the £1m workforce savings.	Efficiency	Green	286	0	0	286	**8**
Customer Services and Transactions	Clamping Income	Income generation	Green	50	0	0	50	
HROD	Schools income	Income generation	Green	26	0	0	26	
Communications	Increase in charge	Income generation	Green	52	0	0	52	
Procurement	Increase external charges by 5%	Income generation	Green	4	0	0	4	
Internal Audit	Increase external charges by 5%	Income generation	Green	10	0	0	10	
Commercial Governance	Increase existing external charges	Income generation	Green	15	0	0	15	
Registrars	Realign existing income budgets	Income generation	Green	80	0	0	80	
Capital Programmes	Realign existing income budgets	Income generation	Green	25	0	0	25	

	Description of Saving	Type of Saving	RAG Impact	Amount of Saving 2024/25 £'000	2025/26 £'000	2026/27 £'000	Total £'000	Indicative FTE Impact
DPE	Realign existing income budgets	Income generation	Green	54	0	0	54	
Total Corporate Core				**1,755**	**1,771**	**1,650**	**3,832**	**35**

Appendix 2 – Growth and Pressures Schedule

Corporate Core

Service	Description of Pressure	Pressure / Growth Amount 2024/25 £'000	2025/26 £'000	2026/27 £'000	Total £'000
2023/24 Approved pressures:					
Operational Property		905	0	0	905
Financial Management	Civica and purchase card rebate	10	0	0	10
ICT	Ongoing costs of ICT hardware refresh post roll out of EUD	750	0	0	750
HROD&T	Lost school income/CCV	23	0	0	23
New 2024/25 pressures:					
ICT	Support the change in funding to implement cloud projects and associated-subscription costs.	2,000	2,000	2,000	6,000

ICT	Reduced capacity to capitalise ICT staffing costs, and fund resources to support ICT priorities	1,000	500	0	1,500
Corporate Items	Increased costs of External Audit	290	0	0	290
Corporate Items	AGMA	69			69
Revenues and Benefits	Realigning of the Council Tax Support Budgets	(770)			(770)
Total pressures – Corporate Core		**4,277**	**3,000**	**2,000**	**8,573**

Appendix 3: Indicative Medium term budgets by service

Corporate Core

Service Area	2023/2024 Budget £'000	2024/2025 Indicative Budget £'000	2025/2026 Indicative Budget £'000	2026/2027 Indicative Budget £'000
Chief Executives:				
Coroners and Registrars	2,499	2,319	2,319	2,319
Elections	1,154	1,154	1,154	1,154
Legal Services	10,823	10,773	10,673	10,673
Communications	3,525	3,438	3,368	3,368
Executive	1,083	1,083	1,083	1,083
Reform & Innovation	895	895	895	895
City Policy	11,139	11,089	11,089	11,089
Performance Research & Intelligence	4,315	4,193	4,068	3,900
Corporate Items	1,215	1,215	1,215	1,215
Chief Executives Total	**36,648**	**36,159**	**35,864**	**35,696**
Corporate Services:				
Finance, Procurement and Commercial Governance	8,657	8,421	8,101	7,901
Customer services and Transactions	18,301	17,427	17,227	16,777
ICT	16,909	20,609	22,900	24,900
Human Resources/ Organisational Development (HR/OD).	5,222	5,169	5,104	4,954
Audit, Risk and Resilience	1,810	1,800	1,800	1,800

Capital Programmes, Operational Property and Facilities Management	22,066	22,946	22,946	22,946
Corporate Services Total	**72,965**	**76,372**	**78,078**	**79,278**
Grand Total	**109,613**	**112,531**	**113,942**	**114,974**

Appendix 4: Indicative Medium term budgets by type of spend / income

Corporate Core

Corporate Core	2023/2024 Budget £'000	2024/2025 Indicative Budget £'000	2025/2026 Indicative Budget £'000	2026/2027 Indicative Budget £'000
Expenditure:				
Employees	94,916	95,158	94,948	93,980
Running Expenses	255,735	258,844	260,565	262,565
Capital Financing Costs	0	0	0	0
Contribution to reserves	10,340	10,340	10,340	10,340
Sub Total Subjective Expenditure	**360,991**	**364,342**	**365,853**	**366,885**
Less:				
Other Internal sales	(27,402)	(27,402)	(27,402)	(27,402)
Gross Expenditure	**333,589**	**336,940**	**338,451**	**339,483**
Income:				
Government Grants	(167,044)	(167,044)	(167,044)	(167,044)
Contributions from Reserves	(6,140)	(6,140)	(6,140)	(6,140)
Other Grants Reimbursements and Contributions	(5,300)	(5,300)	(5,300)	(5,300)
Customer and Client Receipts	(38,535)	(39,001)	(39,101)	(39,101)
Other Income	(6,953)	(6,920)	(6,920)	(6,920)
Gross Income	**(223,972)**	**(224,405)**	**(224,505)**	**(224,505)**
Total Corporate Core Net Budget	**109,617**	**112,535**	**113,946**	**114,978**

Appendix 1 - Savings Schedule

Corporate Core

	Description of Saving	Type of Saving	RAG Impact	Amount of Saving 2024/25 £'000	2025/26 £'000	2026/27 £'000	Total £'000	Indicative FTE Impact
2023/24 Approved Savings:								
Resident and Business Digital Experience								
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	Efficiency	Green	0	200	450	650	**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	Green	25	25	0	50	
	Rationalise Wi-Fi providers	Efficiency	Green	0	184	0	184	
	Due to changes in working arrangements, reduce both the number of printers across the estate and the volume of prints.	Efficiency	Green	25	0	0	25	
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	Green	200	200	200	600	**12**

	Description of Saving	Type of Saving	RAG Impact	Amount of Saving 2024/25 £’000	2025/26 £’000	2026/27 £’000	Total £’000	Indicative FTE Impact
HR/OD	Replace existing ATS software to improve recruitment processes and new front Door implementation.	Efficiency	Green	50	65	150	265	**3**
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	Green	122	125	168	415	**5**
Legal	Increased income through review of fees and charges	Income Generation	Amber	50	100	0	150	
Total Future Shape				**472**	**899**	**968**	**2,339**	
City Policy	Reduce strategic cultural grant to NFM	Efficiency	Green	50	0	0	50	
Communications	Review print and mailroom processes	Efficiency	Green	35	70	0	105	
Registrars	Review existing fees and charges to align with other Core Cities	Income Generation	Green	20	0	0	20	
Corporate Core	NI and Superannuation savings through introduction of electric car leasing	Efficiency	Green	100	120	0	220	
Housekeeping Sub Total				**205**	**190**	**0**	**395**	
New 2024/25 Savings:								
Registrars	Review existing fees and charges to align with other Core Cities	Income Generation	Green	80	0	0	80	

	Description of Saving	Type of Saving	RAG Impact	Amount of Saving 2024/25 £'000	2025/26 £'000	2026/27 £'000	Total £'000	Indicative FTE Impact
Corporate Core	Share of the £1m workforce savings.	Efficiency	Green	286	0	0	286	
Customer Services	Clamping Income	Income generation	Green	50	0	0	50	
New 2024/25 Total				**416**	**0**	**0**	**416**	
Sales Fees & Charges Savings:								
Registrars	Review existing fees and charges to align with other Core Cities	Income Generation	Green	80	0	0	80	
Corporate Core	Share of the £1m workforce savings.	Efficiency	Green	286	0	0	286	**8**
Customer Services and Transactions	Clamping Income	Income generation	Green	50	0	0	50	
HROD	Schools income	Income generation	Green	26	0	0	26	
Communications	Increase in charge	Income generation	Green	52	0	0	52	
Procurement	Increase external charges by 5%	Income generation	Green	4	0	0	4	
Internal Audit	Increase external charges by 5%	Income generation	Green	10	0	0	10	
Commercial Governance	Increase existing external charges	Income generation	Green	15	0	0	15	
Registrars	Realign existing income budgets	Income generation	Green	80	0	0	80	
Capital Programmes	Realign existing income budgets	Income generation	Green	25	0	0	25	
DPE	Realign existing income budgets	Income generation	Green	54	0	0	54	

	Description of Saving	Type of Saving	RAG Impact	Amount of Saving				Indicative FTE Impact
				2024/25 £'000	2025/26 £'000	2026/27 £'000	Total £'000	
Total Corporate Core				**1,755**	**1,771**	**1,650**	**3,832**	**35**

Appendix 2 – Growth and Pressures Schedule

Corporate Core

Service	Description of Pressure	Pressure / Growth Amount			
		2024/25 £'000	2025/26 £'000	2026/27 £'000	Total £'000
2023/24 Approved pressures:					
Operational Property		905	0	0	905
Financial Management	Civica and purchase card rebate	10	0	0	10
ICT	Ongoing costs of ICT hardware refresh post roll out of EUD	750	0	0	750
HROD&T	Lost school income/CCV	23	0	0	23
New 2024/25 pressures:					
ICT	Support the change in funding to implement cloud projects and associated-subscription costs.	2,000	2,000	2,000	6,000
ICT	Reduced capacity to capitalise ICT staffing costs, and fund resources to support ICT priorities	1,000	500	0	1,500
Corporate Items	Increased costs of External Audit	290	0	0	290
Corporate Items	AGMA	69			69
Revenues and Benefits	Realigning of the Council Tax Support Budgets	(770)			(770)
Total pressures – Corporate Core		**4,277**	**3,000**	**2,000**	**8,573**

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Appendix 3: Indicative Medium term budgets by service

Corporate Core

Service Area	2023/2024 Budget £'000	2024/2025 Indicative Budget £'000	2025/2026 Indicative Budget £'000	2026/2027 Indicative Budget £'000
Chief Executives:				
Coroners and Registrars	2,499	2,319	2,319	2,319
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Manchester City Council
Report for Information

Report to: Children and Young People Scrutiny Committee – 7 February 2024
Executive - 14 February 2024

Subject: Children and Education Services Budget 2024/25

Report of: Strategic Director (Children's and Education Services)

Summary

Local Government is under profound financial pressure, largely due to externally driven cost and demand pressures at a national level particularly affecting Adults Services, Children's Services and Homelessness. It is in this context that the Council must set a balanced budget.

Following the provisional finance settlement announced 18 December the Council is forecasting an estimated budget shortfall of £38m in 2024/25, £79m in 2025/26, and £90m by 2026/27. After the application of approved and planned savings, and the use of c.£17m smoothing reserves in each of the three years, the budget is balanced for 2024/25 and the remaining gap reduces to £29m in 2025/26 and £41m by 2026/27. This position assumes that savings of £21.4m will be delivered next year.

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 2023. Each scrutiny committee is invited to consider the proposed budget changes that are within its remit and to make recommendations to the Executive before it agrees to the final budget proposals on 14 February 2024.

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 2024/25 revenue budget set by Council on 1 March 2024.

Financial Consequences – Capital
None directly arising from this report.

Contact Officers:

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Position: Head of Finance - Children, Education and Schools
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E-mail: vandhna.kohli@manchester.gov.uk

Background documents (available for public inspection):

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

Medium Term Financial Strategy and 2023/24 Revenue Budget – Executive 15 February 2023
Children and Education Services Budget 2022/23 - Executive 16 February 2022
Children and Young People Budget Report 2023-26 - Scrutiny Committee 9th November 2022

1. Introduction and Purpose

1.1. This report sets out an overview of the services that are within the scope of this scrutiny committee, their key priorities and provides a set of proposals for further savings and investments for 2024-27. These proposals have been developed within 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 Workforce
- Section 5 Use of grants and reserves

2. Service overview and priorities

2.1. The Children and Education Services Directorate supports over 18,000 early years placements, 1,298 Looked After Children of which 828 are fostering placements (internal and external) and 5,183 Children in Need. The 2023 Census showed that there are over 140,000 children (0–18 year olds) resident in the city.

2.2. There were 85,700 children (Reception – Year 11) educated in mainstream Manchester schools, please see further details in illustration two. As of October 2023, 7,543 of children and young people have support provided via their Education, Health and Care plan. Illustration one and two below provide an overview of children supported by the Directorate.

2.3. The Children and Education Services Directorate is responsible for the delivery of the council's statutory duties and responsibilities in respect of children who need help, support, and protection. Whilst at the same time ensuring they have access to a high-quality education and learning experience.

Illustration one: Service Overview

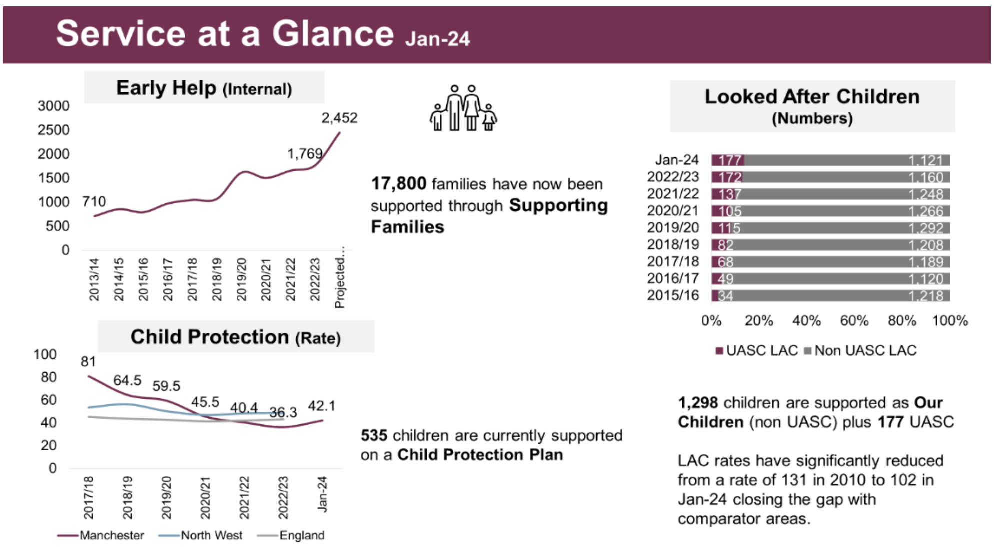
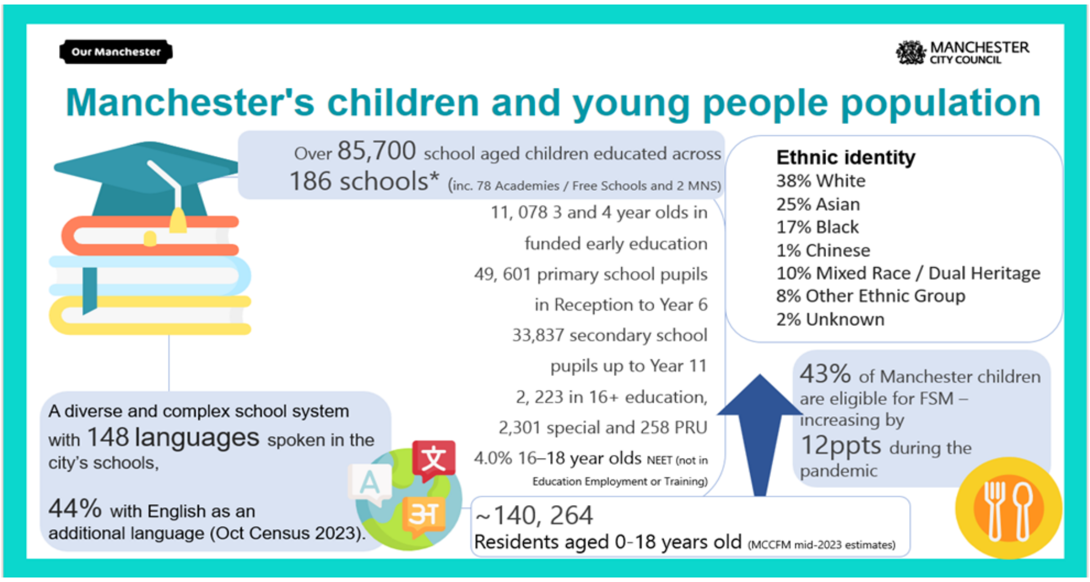


Illustration two: Children and Young People Population Overview



Children's Social Care services budget

2.4. The vision for Manchester is for children to live a safe, happy, healthy and successful lives within their family and community. Manchester City Council's Children Services play an important role in achieving this vision by working in partnership with other agencies and professionals; together these services are expected to identify children's needs and there is a range of services and interventions available which are responsive, adaptive, and importantly work together in an effective and efficient way.

2.5. The Directorate also contributes to other corporate priorities, including supporting Manchester's Children and Young People to be healthy, well, and safe (Healthy, cared for people), enabling clean, safe and vibrant neighbourhoods through promoting the welfare of young people (Neighbourhoods) and reducing demand through reform and enabling our workforce to be the best they can be (Well-managed Council). It also plays a leading role in ensuring our young people are equipped with the skills they need to benefit from the growth of the city (Growth that benefits everyone) and ensures there are sufficient and high-quality places in local schools and early years settings.

2.6. It is noteworthy approximately 65% of the overall Children's Social Care budget is committed to meeting the cost of caring for our Looked after Children and care leavers. These costs are predominantly linked to the provision of placements and support. The remaining balance of the budget is related to services such as: Leaving Care, Early Years, Early Help and Youth Justice.

2.7. The budget recognises the financial implications of increased placement costs, increased numbers of children requiring help, support and protection and the range and complexity of their needs. The Directorate's budget approach is built upon four themes:

1. **Cost avoidance** – providing timely and effective interventions that prevent the escalation of children's needs.
2. **Care planning –** interventions are purposeful, focused and through working in collaboration make a positive difference.
3. **Commissioning** - a sufficient range and choice of services to meet the needs of children.
4. **Service improvement/efficiencies -** a relentless focus on practice improvement and evaluation of impact.

2.8. Manchester's approach of the right intervention at the right time to prevent the unnecessary escalation of children's needs and for those children who do need to be cared for by the council ensuring there is sufficient range and choice of provision remains a key priority.

2.9. The independent review of children's social care which was published on 23rd May 2022 set out a 'case for change' within the children's social care system. The government published its response on 2nd February 2023; children and families received a presentation in October 2023 which summarised Manchester's readiness to respond to the respective recommendations and that children services had as part of its approach to 'continuous improvement' already implemented several interventions, such as Family Hubs. There is a strong evidence base that these interventions have made a real impact. Fundamental shift in children's social care set out - GOV.UK (www.gov.uk).

2.10. The impact of the approach that has been taken in children services is best illustrated by the reduction in overall number of children subject to a Child Protection Plan, looked after (LAC), which is further exemplified if the number of unaccompanied asylum-seeking children (UASC) are removed from the data. As reflected in illustration one on page 5 of this report there were 131 per 10,000 child population in 2010. This has fallen to 102 LAC per 10,000 in January 2024 and 90 if we remove the UASC data; which apart from England is better than all comparator data.

2.11. There has been a significant increase in Unaccompanied Asylum Children during this period, as at January 2023 Manchester had the third highest UASC cohort in the country.

Education Services

2.12. This service budget represents the Council's responsibilities for education and learning funded by the Dedicated Schools Grant (most of this budget is passported directly to schools) and Council budget. Included on this agenda is a report outlining the position on the Dedicated School Grant (DSG) which sets out the £735m grant settlement for next year.

2.13. The Council's Education Services budget is £23m, which funds the council's duties in respect of school admissions, place planning, short breaks, school attendance and school crossing patrols. In addition, educational psychology and NEET (not in education, employment or training) and home to school transport services are met from this budget and involves commissioning arrangements to achieve the best possible value.

2.14. Transport services make up 65% of Education Services budget, alongside a further 15% to support children with SEND such as short breaks including overnight stays.

2.15. 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' for which the duties and responsibilities are reflected in statutory guidance.

2.16. 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.

2.17. 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.

2.18. In January 2022 Inspectors praised services for children with Special Educational Needs (SEND) following an Area SEND Inspection that was undertaken during November 2021. Manchester is now 1 of 9 regional lead authorities to test and evaluate the SEND reforms.

2.19. The Directorate priorities are reviewed annually to ensure they remain contemporaneous with feedback received, consider 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. Service budget and proposed changes

3.1. The gross 2023/24 budget detailed in the table below is £607.293m, 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 £143.801m.

Table one: Base budget 2023/24

Service Area	2023/24 Gross budget £'000	2023 / 24 Net Budget £'000	2023 / 24 Budgeted posts (FTE)
LAC Placements	55,169	48,718	54
LAC Placement Services	9,486	8,546	139

Cared 4 Children & Leaving Care	31,492	16,828	15
Children Safeguarding Service Areas	53,422	40,230	817
Education Services (Includes DSG)	434,837	7,676	240
Home to School Transport	14,857	14,578	134
Targeted Youth Support Services	850	850	2
Children's Strategic Management and Business Support	7,016	6,375	138
Total	**607,129**	**143,801**	**1,539**

3.2. In November 2023 this scrutiny Committee was presented with a set of financial savings proposals agreed at last year's budget setting totalling £11.8m for 2023/24 to 2025/26, relating to services within the remit of this committee for consideration. Last year there was confidence that the managing demand savings were achievable. Most of the savings were seeking to avoid costs through early intervention and managing demand.

Table two: Savings Profile in scope of this Committee

	2023/24	2024/26	2025/26	Total
	£000	£000	£000	£000
Savings Profile	4,411	3,920	3,394	11,725

Risks and Pressures

3.3. The Directorate's budget is currently forecast to be overspent by £7.757m. The underlying reason for this is as previously reported to this committee attributed to significantly increased costs of care placements for Looked After Children (LAC), a shortfall in the Unaccompanied Asylum-Seeking Children grant for the numbers now being accommodated and an overspend on Home to School Transport, which is attributed to an increase in requests and entitlement. The table below outlines the approved and proposed budgets changes outlined in the report.

Table three: **Approved and Proposed Budget Changes 2024/25 – 2026/27**

	2024/25	2025/26	2026/27	Total
Approved Budget Movements	**Net Budget**			
	143,801	156,378	156,763	
Savings and Growth Previously Approved November 23 Scrutiny				
Funding to Support Grow Population	2,419	2,479	2,479	7,377
Saving Approved - 2021/22 budget setting	-100			-100
Savings Approved last year's budget setting	-3,920	-3,394		-7,314
Budget Changes proposed - 2024/25 budget setting November 23 Scrutiny				
Growth, Investment and Inflation				
Looked After Placements Sufficiency	6,500			6,500
Unaccompanied Asylum-Seeking Children	2,200			2,200
International New Arrivals Team	300			300

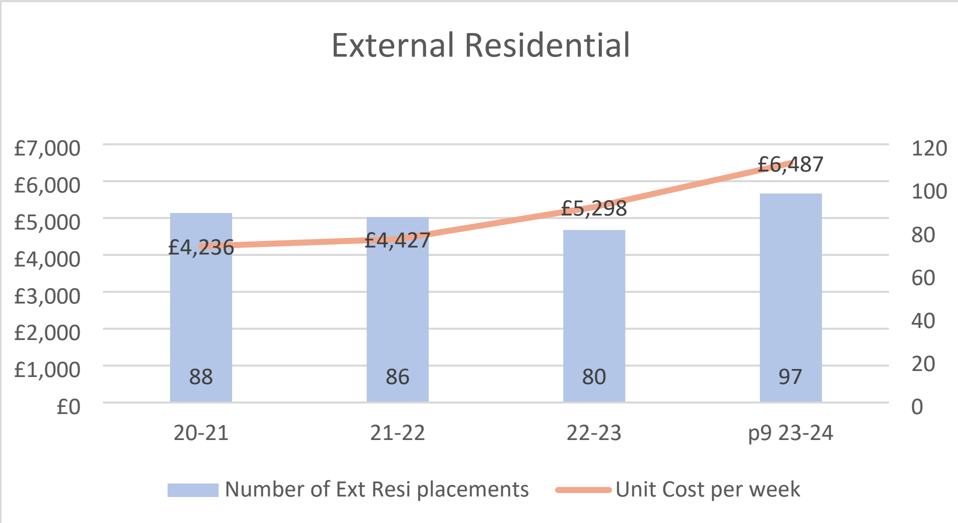
Home to School Transport - Support for Growing Population	1,300	1,300	1,300	3,900
School Condition Surveys	100			100
Savings				
Workforce	-222			-222
Sub-total reported at November 23 Scrutiny	**8,577**	**385**	**3,779**	**12,741**
Changes proposed - 2024/25 budget setting February 24 Scrutiny				
Growth, Investment and Inflation				
Additional Looked After Placements Sufficiency	4,000			4,000
Internal Placement Cost Pressures	1,440			1440
External Residential Step-downs Home to School Transport – full year effect of September 2023 uplifts Home to School Transport – full year effect of September 2023 uplifts	560			560
Savings				
External Residential Step-downs	-2,000			-2,000
Sub-total reported at February 24 Scrutiny	**4,000**	**0**	**0**	**4,000**
Total	**156,378**	**156,763**	**160,542**	

Looked After Children

3.4. As mentioned previously Manchester's approach of right intervention at the right time has led to timely intervention preventing the unnecessary escalation of children's needs. As a result and set out in paragraph 2.11 unlike national trends Manchester's overall looked after children (LAC), excluding Unaccompanied Asylum-Seeking Children, volumes have fallen. In addition, the Directorate has effectively managed the increased need for children to be cared for by the council and provides an efficient range and choice of provision, which maintain the vast majority close to 'home'.

3.5. However, despite prioritising and making progress in this regard, the shortage of fostering households, coupled with the range of complexity of children's needs has led to a shift towards specialist external residential placements. It is the cost of these residential placements which has increased by 47% in the last 12 months and is the most significant contributory factor to this financial pressure. This sharp significant cost increase is not unique to Manchester and could not have been predicted at last year's budget setting process. The graph below shows residential placements and unit cost increases.

Illustration three: Looked After Children Increase in Unit Cost and External Residential Placements



3.6. Most Councils are reporting rises in placement costs for children and young people who need residential support for complex needs - particularly those that may have behavioral difficulties, mental health issues, or exhibit violent or aggressive behaviors'. All Core Cities and Greater Manchester councils are therefore reporting financial pressures in Children's Services. Except for Birmingham, Manchester's variance as a percentage of council budget is lowest of all councils listed below.

Table four: Core Cities and Greater Manchester Local Authorities Children Services overspend

Core Cities	CYP Deficits £m	Variance % Council budget
Birmingham	6.700	0.70%
Bristol	11.521	2.40%
Leeds	32.696	5.70%
Liverpool	7.737	1.40%
Manchester	7.757	1.00%
Newcastle	3.178	1.20%
Nottingham	13.507	5.20%
Sheffield	8.800	1.80%
Total	**91.541**	**2.10%**

Greater Manchester	CYP Deficits £m	Variance % Council budget
Bolton	11.05	3.97%
Bury	10.085	5.30%
Manchester	7.402	0.97%
Oldham	12.593	4.28%
Rochdale	6.870	2.49%
Salford	6.864	2.56%
Stockport	4.75	2.04%
Tameside	3.638	1.64%
Trafford	3.410	1.63%
Total	**72.728**	**2.39%**

3.7. Overall, there has been a 7.8% increase in Children's Social Care spend and a 16.5% in residential provision across Core Cities. Whilst placement numbers have increased slightly most of the cost pressure has been driven by an increased average weekly cost of care. The national trend is showing that 45% of all LAC Placement budgets are now spent on external residential care (up from 36% in 2019/20), demonstrating that placement sufficiency is a national issue. The increased number of external residential placements is due to a combination of a lack of fostering arrangements, foster carers with the right support and capacity and the overall increase in the number of children with complex needs.

3.8. Since November 2023 there has been a further rise in external residential placements spend acknowledged by an additional budget uplift of **£4m** since last reported. In total, the full year effect of Looked After Placement pressures totals **£10.5m** due to increased weekly costs of the placements and an increase in placement numbers.

3.9 In order to manage down these costly residential pressures, the service has:

1. A sophisticated approach to reviewing the cost of external residential provision which operates on a monthly cycle and has recently undertaken a deep dive in respect of all high-cost placements. This activity is led by the senior leadership team. This work assists in fostering innovation and has encouraged the service to see the connection between decision making with resource allocations on a day-to-day basis with the wider vision for service innovation.

2. Embedded Multi-Agency assessment, planning and joint commissioning of placements between health, education and social care with 74 current placements commissioned and reviewed holistically. This involves a contribution from Manchester Integrated Care Board (MICB) totalling £6.2m.

3. Colleagues from Contracts & Commissioning with support from senior managers within Children's Services robustly negotiate to ensure value for money and that best price is achieved.

4. Constantly developing and cultivating a culture of innovation and service development. To effectively contract manage and search for placements the service is looking to invest some of the growth and investment funding into Placement finding and Commissioning Team, circa £300k which equates to 8 full time equivalent posts, detail is yet to be finalised. This investment would help to find the right type of placements at the right time and enable the service to drive down costs with external providers.

5. Continues to develop service improvements as a way of achieving financial savings and reducing demand for expensive high-cost placements. An area that is currently being reviewed is the 'offer and support' relating to fostering households and family-based care, which is commonly known as kinship care. To enable them to look after existing children in existing residential care kinship care is where extended family members, friends and other people who are connected to them for a variety of reason are empowered to support and bring up children in a range of different arrangements.

6. Step-down placements in the medium term - the service has been developing the internal residential estate. Namely, recommissioning of Olaniyan (5 places), development of two Take a Breath (four half yearly solo placements) and shared care/short breaks provision. This would reduce current reliance on procuring more expensive externally commissioned placements and help alleviate the disproportionate financial impact of increases in the numbers of external residential placements.

3.10 Review of all external residential placements and development of internal provision will enable the Directorate to achieve 2024/25 Managing Demand saving and reduce spend by a further **£2m**, this new savings target is included in next year's budget plans and is further outlined in Appendix one.

Unaccompanied Asylum-Seeking Children (UASC)

3.11 The council has a statutory duty under the Children Act 1989 to care for UASC. Due to their immigration status the Home Office provides a grant to help Councils meet the cost of accommodating UASC. However, this funding ceases at the point the child turns 18 years of age regardless of their 'settled' status.

3.12 The presentation of unaccompanied asylum seeking children spontaneously arriving or who have arrived as part of the National Transfer Scheme (NTS) in Manchester has increased over the past 5 years. This has led to as at 2022/23 Manchester having the third highest UASC population in the country. There is currently a substantial shortfall between the Home Office grants the Council receives and the actual cost of caring for UASC, in addition to the costs associated with supporting UASC care leavers. It is estimated that there is an **£2.5m** unfunded responsibilities for UASC.

Home to School Transport

3.13. Home to School Transport is a statutory service and provides transport to eligible children and young people at the start and end of the school day. The net total budget for this service is £13.6m. The budget is currently overspent by £1m.

3.14. The cost of providing transport to learners with Special Educational Needs has increased both in the number of children requiring transport and the overall cost of provision. This is being driven by a growing number of children and young people with Education, Health and Care Plans (EHCPs). In July 2023 there were 6,988 EHCPs, of which c.2,200 (32%) are eligible to receive SEND transport. In line with national trends the number of EHCPs is expected to rise by 8.5% over the year, this equates to an additional 200 children requiring transport. The estimated cost to support a growing population is estimated to cost **£1.3m per year for the next three years (an additional £3.9m in total by 2026/27).**

3.15. The service is planning to manage the balance of the on-going pressure through fully implementing a new policy February 2023 for new applicants which includes a range of other options to transport including for example independent travel training where appropriate. The service has now completed a full restructure and will be implementing the use of new route planning software and the framework for providers which was recommissioned in the summer term.

School Conditions Surveys

3.16. The Council is committed to ensuring that children access high quality education in buildings that are fit for purpose and sustainable. There is an ongoing commitment to ensure the suitability of local authority maintained schools which requires up to date condition surveys to inform prioritisation of works and capital investment. The estimated cost of this is £100k p.a. Condition surveys will be undertaken on a cyclical basis and will be used to:

1. identify what work is needed to maintain the estate
2. consider how much works might cost
3. better prioritising work within available funds
4. understand if the nature of the buildings has changed

3.17. This information will inform the maintained schools planned maintenance programme and be used to direct future capital investment.

Workforce Savings

3.18. As part of the work to close the budget gap it is proposed that £1m of the shortfall is closed by workforce saving across all Directorates. Children's and Education services workforce saving is £222k. The service has assessed options, such as whether this can be met by reprofiling and utilisation of grants and, or through a review of long-term vacancies. It is not envisaged that this saving will have a big service impact and will be met by utilisation of grants.

Inflation

3.19. Provision has been made for inflationary price increases and potential pay awards. Alongside the full year effect of Home to School Transport cost September 2023 price increases are estimated to be £0.540m. Other inflation requirements are not yet known and will hold corporately for allocation to service budgets when the details are available. Approved budget and proposed changes are provided in the budget table below.

Approved and Proposed Budget Changes 2024/25 – 2026/27

3.20. Evidence continues to show there has been significant cost avoidance through the actions taken to support children and young people effectively at an earlier stage and avoid LAC status. However, those benefits have been outstripped by the rising costs of placements referenced earlier in the report. Additional funding is included in these budget proposals to cover those costs, but the focus will remain on continuing to manage demand effectively and intervening early. Therefore, the budget savings remains totalling £4.242m in 2024/25 (£100k agreed in 2021/22, £3.920m agreed last year and £222k proposed this year) and £3.394m 2025/26.

3.21. **Section 17 -** Financial assistance in terms of goods or services, or in exceptional circumstances cash, can be provided to a child, parent or carer under Section 17(6) Children Act 1989 to address identified needs to safeguard and promote a child's welfare where there is no other legitimate source of financial assistance. Giving the cost of living crisis, levels of child poverty and social work being the first point of contact there has been an increase in the number of families presenting as being ‘in need’, which has required financial support under Section 17 Children Act 1989. As a result, the budget is overspent by £300k before mitigation. Additional measures to scrutinise all the expenses each month have been in put place. Whilst it is envisaged that section 17 payments will continue to be a pressure going forward. The service are working closely with Housing colleagues to develop more permanent and cost effective solutions to mitigate these pressures including ensuring appropriate access to the welfare support fund.

Final Local Government Finance Settlement

3.22. The Final Settlement is due to be announced in early February 2024. This does not usually vary significantly from the Provisional Settlement. However, on 24 January 2024 additional funding was announced in a written statement to Parliament in advance of the final settlement. The announcement included a further £500m for social care, £15m increase in the Rural Services Delivery Grant (RSDG), and that the funding guarantee would be increased from 3% to 4% (estimate £60m extra). If the funding is allocated in line with the existing Social Care Grant formula, Manchester would receive around £5.5m. The written statement adds “Where possible, councils should invest in areas that help place children’s social care services on a sustainable financial footing, whilst being mindful of the level of adult social care provision.” The proposed budget has seen a significant additional investment of £12.6m, an increase of £4m since the November 2023 proposals, into Children’s Social Care, with budget plans set prior to the announcement. Recommendations on how to achieve maximum value from the new funding are being developed and will be finalised once the Final Finance Settlement has been published and final amounts are known. These will be presented to the Executive on 14 February and Budget Scrutiny on 26 February.

4. Workforce Implications

4.1. The Children and Educations Directorate currently has a gross budgeted workforce of 1,539 fte, of which 1,285 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 38fte, (8fte) which relates to the Commissioning Team, (18fte) Social Work apprenticeships and (12fte) Thriving Families. 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.

4.2. 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 Children and Education Directorate and Service Plans.

4.3. The Council's establishment is fully budgeted for at the top of the grade. However, on an establishment of this size, there will always be vacancies caused by staff turnover, recruitment difficulties and not all staff will be employed at the top of the grade. To avoid budgeting for costs that will not be required and making bigger cuts elsewhere, a vacancy factor is applied to prevent overbudgeting. 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. Use of Reserves and Grants

5.1 Reserves are a corporate resource and planned use of the resource needs to be cross referenced to the Reserves Strategy as part of the medium-term financial plan, in line with the reserves policy.

5.2 **Kickstart Programme (£0.9m)** - This programme targets children in Early years and Key stage 1 and their families particularly those most impacted by the pandemic, cost-of-living crisis and those from communities that experience racial inequality. There are currently 10 schools in the City accessing intensive support programmes and 48 schools clustered into 5 groups which receive a targeted offer. The Kickstart task force comprises of professionals from multi – agency/voluntary community services who can provide interventions to accelerate progress of children by working with the school to address some of the developmental gaps and to provide different holistic family support. Whilst the programme is yet to be evaluated, anecdotal feedback from schools accessing intensive or targeted support is that it is has already helped to improve school attendance and staff retention due to the training that has been made available. The work of the taskforce has also ensured that schools are aware of the offer available for families at local children's centres and also strengthened work with family hubs.

5.3 As agreed last year the reserve requirements spans two financial years as the scheme is over the school year, £0.4m reserve requirement covering the period April 2024 - August 2024. The service is now seeking approval to extend the Kickstart to September 23 - March 2024. Discussions are now under away to secure funding from Public Health (£0.5m) reserves to sustain the Kickstarter beyond the current programme end date. This will be finalised in the next month.

5.4 **Thriving Families (£1.1m) –** - 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. Additional staffing requirement will be around 12 fte next year. As reported previously to continue 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 care placements per annum could potentially be avoided because of this intervention. As savings cumulate, they would both cover the cost of the service and provide a saving by

2024/25. Based on current progress established it is proposed that Thriving Families is supported by the Supporting Families reserve by £1.1m next year and £1.1m in 2025/26. Beyond this period support would reduce in 2026/27 as savings are generated from the work being undertaken.

5.5 **Social Work Apprenticeship -** 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 18 fte additional apprenticeships are created over the next 2-3 years. The Social Work Apprenticeship Scheme is a 2.5-year program, whereby students attend University one day a week, in recognition that it will take a period to time to scale up the plans. The Council has recently secured Department for Education grant to support this scheme, The grant funding does not cover all the costs of the 2.5-year programme. The Council will supplement the grant funding by drawing from reserve. The use of reserve is planned to be phased over two years, £0.6m 2025/26 and a further £0.6m 2026/27. £0.8m of the support will come from a Children's reserve, the balance is yet to be worked through.

5.6 A summary of Children Social Care and Education services grants are provided in Appendix 5 of this report. Detail on the Dedicated Schools Grant is provided on another item on the agenda.

Appendix 1 - Savings Schedule

Service	Description of Saving	Type	RAG Impact	2024/25	2025/26	2026/27	Total	FTE indicative impact
	Savings as agreed at 2021/22 budget setting							
Early Years	**Early Years -** A revised speech and language therapy pathway that maintains a commitment to early intervention and prevention and WellComm screening will be redesigned with our partners. Reductions were phased over three years; this is the final year.	Efficiency	Improving outcomes through more optimal approach to supporting Children		-100		-100	None
	Savings as agreed at 2023/24 budget setting							
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.	Efficiency	Improving outcomes through more optimal approach to supporting Children	-3,000	-2,000		-5,000	None
	Mockingbird - Program 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		-219	-257		-523	None
	Use of Reserve – Reversal of one year use of reserves.	Use of Reserves		500			500	None
	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 June 2021. Based on this evaluation and after taking account of savings proposals outlined 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	-90			-90	None
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 School Crossing Patrols (SCP) are not a statutory service they are a key road safety measure. It is proposed that SCP are financed by the Road Parking and Bus Lane Penalties Reserve instead of Council budget on 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 on delivery	-160			-160	None

	Savings as agreed at 2023/24 budget setting			**-3,920**	**-3,394**		**-7,314**	
		Savings as agreed at 2024/25 budget proposals						
Directorate	Workforce Savings	Use of grants and reserves	These savings have been identified as deliverable without impacting on delivery	-222			-222	None

Childrens Services	External Residential Placements - Review of all external residential placements and development of internal provision will enable the Directorate to achieve 2024/25 Managing Demand saving and reduce spend by a further £2m.	Efficiency	Improving outcomes through more optimal approach to supporting Children	-2,000			-2,000	None
				-2,222	**0**		**-2,222**	

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Appendix 2 – Pressures/Investment/Inflation/Support for Growing Population

Service	Description of Support for Growing Population	2024/25	2025/26	2026/27	Total	FTE impact
		£'000	£'000	£'000	£'000	
Children's Safeguarding	Budget identified for support for growing population in Children's. The demand has been determined based on the demographic numbers on which the 2020/21 budget was set compared to the current position and potential increase in demand informed by 3% population growth predictions.	2,419	2,479	2,479	7,377	None
Education	Home to School Transport – increase in Education, Health, Care plans has led to increased number of children eligible.	1,300	1,300	1,300	3,900	None
	Total	3,719	3,779	3,779	11,277	

Service	Description of Growth and Investment	2024/25	2025/26	2026/27	Total	FTE impact
		£'000	£'000	£'000	£'000	
Children's Safeguarding	**External Residential Growth** - due to shortage of fostering households, coupled with the range of children's needs there has been a shift towards high-cost external residential placements. The cost of high-cost residential placements has increased by 47% since last year.	10,500	0	0	10,500	+8
Children's Safeguarding	**Unaccompanied Asylum Seeking Children Grant shortfall** - Costs related to supporting this cohort are met from grant rather than Council budget. The presentation of unaccompanied asylum seeking children within Manchester has increased over the past 5 years, UASC children now make up over 0.07% of the total child population, indicating that as a Local Authority we are supporting a higher number of UASC. There is currently a substantial shortfall between the funding local government receives and the actual cost.	2,500	0	0	2,500	None
Education	**School Condition Surveys** - Council is committed to ensuring that children access high quality education in buildings that are fit for purpose and sustainable. There is an ongoing commitment to ensure the suitability of local authority-maintained schools which requires up to date condition surveys to inform prioritisation of works	100	0	0	100	None
	Total	13,100	0	0	13,100	

Service	Description of Inflation	2024/25	2025/26	2026/27	Total	FTE Impact
		£'000	£'000	£'000	£'000	
Children's Safeguarding	Internal fostering placements – Department of Education (DfE) announced minimum increase in foster care allowances reflected by 6.8% in Dec 23.	1,440	0	0	1,440	None
Education	Home to School Transport - full year effect of Home to School Transport cost September 2023 price increases are estimated to be £560k.	560	0	0	560	None
	Total	2,000	0	0	2,000	

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Appendix 3: Indicative Medium-term budgets by service

Service Area	2023/2024 Budget £'000	2024/25 Indicative Budget £'000	2025/2026 Indicative Budget £'000	2026/2027 Indicative Budget £'000
LAC Placements	48,717	57,409	56,780	59,259
LAC Placement Services	8,547	8,526	8,526	8,526
Cared 4 Children & Leaving Care	16,828	19,326	19,326	19,326
Children Safeguarding Service Areas	40,230	39,852	39,852	39,852
Education Services	7,676	7,742	7,742	7,742
Home to School Transport	14,578	16,318	17,332	18,632
Targeted Youth Support Services	850	850	850	850
Children's Strategic Management and Business Support	6,375	6,355	6,355	6,355
Total	**143,801**	**156,378**	**156,763**	**160,542**

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Appendix 4: Indicative Medium-term budgets by type of spend / income

Children and Education Services Budget	**2023/2024 £000**	**2024/2025 Indicative £000**	**2025/2026 Indicative £000**	**2026/2027 Indicative £000**
Expenditure:				
Employees	71,129	71,549	71,193	71,200
Running Expenses	540,836	561,163	552,310	554,635
Capital Financing Costs	358	358	358	358
Contribution to reserves	1,748	45	45	38
Sub Total Subjective Expenditure	614,071	633,115	623,906	626,231
Less:				
Other Internal sales	1,375	1,375	1,375	1,375
Gross Expenditure	612,696	631,740	622,531	624,856
Income:				
Government Grants	454,888	461,834	454,605	454,605
Contributions from Reserves	4,484	4,005	1,640	186
Other Grants Reimbursements and Contributions	8,201	8,201	8,201	8,201
Customer and Client Receipts	1,281	1,281	1,281	1,281
Other Income	41	41	41	41
Gross Income	468,695	475,362	465,768	464,314
Total Net Budget	**143,801**	**156,378**	**156,763**	**160,542**

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Appendix 5: Grant Summary

Grant Description	Service Area	2023/2024 £000	2024/2025 Indicative £000	2025/2026 Indicative £000	2026/2027 Indicative £000
Dedicated Schools Grant	Schools	353,454	382,990	382,992	382,992
Pupil Premium	Schools	24,646	24,646	24,646	24,646
Universal Infant Free Schools	Schools	3,748	3,184	3,184	3,184
Youth Justice Board	Children’s	1,498	1,482	1,482	1,482
Unaccompanied Asylum Seekers	Children’s	12,766	12,766	12,766	12,766
LASPO – Remand (Including GM Budget)	Children’s	1,552	1,552	1,552	1,552
Leaving Care Ofsted Registration Grant	Children’s	539	539	539	539
Leaving Care Allowances Uplift Implementation	Children’s	239	239	239	239
Troubled (Supported) Families Grant	Children’s	4,338	4,338	4,338	4,338
Key Stage Two Stat Moderation Grant	Education	17	17	17	17
EARL Grant	Children’s	90	90	90	90
Early Years Supplementary Grant	Schools	1,886	1,886	1,886	1,886
Early Years Education Grant	Schools	98	-	-	-
Early Years Teachers’ Pay Additional Grant	Schools	224	224	224	224
Staying Put Grant	Children’s	517	517	517	517
Adoption Support Fund	Children’s	3	10	10	10
Afghan Resettlement Grant	Education	856	-	-	-
AP Taskforce Grant	Education	450	450	450	450
Assessed and Supported Year of Employment Grant	Children’s	116	116	116	116
Local Services Support Grant	Education	126	128	128	128
Devolved Formula Capital (DFC)	Schools	637	637	637	637
Extended PA Grant	Children’s	191	191	191	191
Family Hubs	Children’s	2,235	2,235	2,235	2,235
Keeping Children & Young People Safe: Drama Therapy & Disproportionality	Children’s	-	137	137	137

Mainstream Schools Additional Grant (MSAG)	Schools	17,000	-	-	-
Music Grant incl. Add Funds Re TPS Relief	Schools	967	967	967	967
National Probation Service (NPS)	Children’s	-	10	10	10
NPQ Target Funding	Education	28	28	28	28
NIHR 302070 Fellowship Award	Children’s	13	-	-	-
NIHR DLAF Doctoral Award	Children’s	-	43	43	43
PE & Sports Grant	Schools	1,889	1,889	1,889	1,889
PFI Grant Wright Robinson	Schools	3,290	3,290	3,290	3,290
PFI Grant Oasis Temple	Schools	373	373	373	373
Post-16 Pupil Premium Plus - Virtual Schools Pilot	Education	325	276	276	276
Pupil Premium Grant (PPG) LAC	Schools	2,415	2,515	2,515	2,515
Recovery Premium	Schools	3,541	3,656	-	-
Rough Sleeping Grant	Children’s	95	95	95	95
Reducing Parental Conflict	Children’s	96	111	111	111
Safe Taskforce	Schools	1,427	980		
SEND Grant	Schools	2,238	2,238	2,238	2,238
School-led Tutoring Grant	Schools	5,682	2,018	-	-
SHIFT Programme	Children’s	87	87	-	-
Staying Close	Children’s	471	490	-	-
Supported Accommodation Reform Grant	Children’s	270	270	270	270
Teachers Pay Additional Grant (TPAG)	Schools	2,679	2,679	2,679	2,679
Turnaround Grant	Children’s	376	376	376	376
Ukranian Education Grant	Education	345	-	-	-
UKSPF Grant	Education	998	998	998	998
Wraparound Childcare Programme	Children’s	28	28	28	28
Young Women’s & Girls Fund	Children’s	29	43	43	43
Government Grants Totals		**454,888**	**461,834**	**454,605**	**454,605**

Manchester City Council
Report for Information

Report to: Children and Young People Scrutiny Committee – 7 February 2024
Executive - 14 February 2024

Subject: Dedicated Schools Grant 2024/25

Report of: Strategic Director (Children's and Education Services)

Summary

The Dedicated School Grant (DSG) is a ring-fenced grant of which is used to fund the education of the city's children. The grant is spent on providing delegated budgets to individual schools' and academies in the city; it funds early years nursery entitlement and provision for pupils with high educational needs including those with Education Health & Care Plans (EHCPs) in special schools, special provision and mainstream schools in Manchester and independent special schools.

The DSG is broken down into four blocks: schools, central school services, high needs and early years. The majority is delegated and paid directly to schools and other settings to provide the majority of education services. A proportion of the DSG is provided for councils to deliver professional overview through its Education Services function.

This report provides a summary of the confirmed DSG allocation from the 2024/25 settlement announced on the 19th December 2024 and the budget allocation across individual school budgets and Council's retained schools budgets which was consulted and reported to Schools Forum on the 15th January 2024.

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 2024/25 revenue budget set by Council on 3rd March 2024.

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.

Medium Term Financial Strategy and 2023/24 Revenue Budget – Executive 15 February 2023
Children and Education Services Budget 2022/23 - Executive 16 February 2022
Children and Young People Budget Report 2023-26 - Scrutiny Committee 9th November 2022

1. Introduction and Purpose

1.1. This report details the Dedicated Schools Grant (DSG) settlement 2024/25. It also sets out a 3-year DSG forecast. The DSG is a specific grant made by the Department for Education (DfE) to councils in England for their current expenditure on schools, early years, and children and young people with high needs. It is the responsibility of the Council, in conjunction with their local Schools Forum to determine the split of funding between their own expenditure and the Individual Schools Budget.

1.2. The table below outlines the schools and educational providers and pupil numbers.

Table one: Schools/Provider supported by DSG

Dedicated School Grant (DSG)	Schools/ Providers	Pupil Numbers 2023/24
Nursery Schools	2	64
Private, Voluntary and Independent Sector	451	4,915
Primary Schools & Academies Nursery	128	5,057
Primary Schools & Academies R-Yr 6	135	49,601
Secondary Schools & Academies	32	33,837
Special School Schools & Academies & PRU	17	2,559
Mainstream Education, Health and Care Plans	165	2,925
Post 16 EHCP	36	694
Other LAs and Independent Sector Provision	54	714
	Full Time Equivalents	
Council Staff	170.67	

2. Grant Overview

2.1 Manchester's DSG 2024/25 totals **£735.050m**. Table two provides a breakdown of the grant across the four DSG blocks and sets out the grant changes between 2023/24 and 2024/25. There has been an overall 8.6% (£58.125m) increase in DSG since last financial year.

Table two: **DSG 2024/25 compared to 2023/24**

DSG	Schools	Central School Services	High Needs	Early Years	Total
	£m	£m	£m	£m	£m
2024/25	537.979	3.864	133.475	59.732	735.050
2023/24	503.271	3.824	128.213	41.616	676.925
Difference	**34.708**	**0.039**	**5.262**	**18.115**	**58.125**
The difference is a result of the change in £m:					
Formula	10.732	0.000	4.071	18.115	49.918
Pupil Numbers	6.922	0.039	1.191	0.000	8.152
Difference	**34.708**	**0.039**	**5.262**	**18.115**	**58.125**

2.2 Key movements relate to:

- Rolling in of the £17m Maintained Schools supplementary grant into DSG
- £18.1m Expansion of Early Year entitlements and increase in the hourly rates paid to providers, from the Early Years Block.
- £5.3m, 4.1% uplift to the part of the grant that supports the City's most vulnerable pupils, the High Needs Block.
- £7.4m, 1.4% uplift to pupil related elements of grant that supports primary and secondary schools, the Schools Block.
- £2.2m, premises costs uplift
- £8.1m, 939 pupil increase across primary and secondary

2.3 The **Schools Block** allocation of £537.979m 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 pupil led elements of the formula by 1.4%.

2.4 Table three shows the breakdown of the allocation across pupils aged 5-16 years. Primary pupil numbers have marginally increased by 0.08% (+41 pupils). Secondary numbers have increased by 2.73% (+898 pupils), which is a lower rate of growth than previous years.

Table three: Schools Block 2024/25 compared to 2023/24

	2024/25	2023/24
Primary Guarantee Unit of Funding	£5,559	£5,269
Secondary Guaranteed Unit of Funding	£7,455	£7,112
Pupil led Schools Block(£m)	£527.920	£495.383
Growth & Premises Funding (£m)	£10.059	£7.888
Total (£m)	**£537.979**	**£503.271**

2.5 The **Central Schools Services Block** (CSSB) allocation of £3.864m supports the Council's role in education. Despite inflation and pay awards the amount of grant received on per pupil basis has not changed. The £39.5k grant increase relates to pupil number increases in primary and secondary schools. There has been no reduction on the historical commitment (relating to prudential borrowing) following DfE confirmation that the protected has been applied.

Table four: Central School Services Block (CSSB)

	2024/25	2023/24
On-going responsibilities:		
Unit of funding (per pupil)	£42.02	£42.02
October census number on roll	83,432	82,493
Total On-going responsibilities (£m)	£3.506	£3.466
Historic Commitments (£m)	£0.358	£0.358
CSSB Total (£m)	**£3.864**	**£3.824**

2.6 The **High Needs Block** (HNB) allocation of £133.475m provides funding for children and young people with special educational needs and disability from early years to age 25 years. This block will be finalised by the Department for Education in the new calendar year once confirmation of the adjustment for the 'import and export' is received. Import and export adjustment is intended to reflect the movement of high needs pupils and students between local authority areas.

2.7 The grant increase is 4.10% (£5.262m) this is lower than the increase in the previous two years, which was an on average +14.00% growth. The 2024/25 increase is not expected to cover anticipated inflation and growth in demand and will place pressure on the budget. The implementation of Manchester's High Needs recovery plan (reported to School Forum November 2023) will be needed to bring financial stability within HNB.

2.8 The **Early Years Block** (EYB) indicative allocation has increased by £18.115m (43.53%), the increase is made up of:

- new free entitlements offer for 9 months olds to two-year-olds and working parents of two-year-olds (£11.888m)
- increase in the hourly rates for existing early year entitlements (£6.227m)

2.9 The EYB initial allocation is provided in table five below. As advised by DfE, EYB includes teachers' pay and pension funding, no separate grants will be allocated as in previous years.

Table five: Early Years Block (EYB) 2024/25

	Change from Sept 23 (£)	Per hour (£)	Roll (est.)	Total £m
Three-and-Four-Year-old:				
Universal 15 hours 38 weeks	+0.27	5.85	8,630	**28.778**
Extended 15 hour working parents			2,230	**7.435**
Two-Year old Offer:				
15 hours 38 weeks (disadvantaged)	+1.03	8.49	2,055	**9.944**
15 hours 38 weeks (working parents)	New		1,362	**6.589**
9 months - Under Twos 15 hours 38 weeks (working parents)	New	11.61	690	**4.565**
Early Years Pupil Premium (**EYPP**) 15 hours for 38 weeks	+0.02	68p per hour		**1.565**
Disability Assess Fund (**DAF**)	29 p.a.	£910 p.a.		**0.462**
Maintained Nursery School Supplementary	1.03			**0.394**
	Total			**59.732**

Note: EYPP and DAF have been expanded across all new and existing early years entitlements.

3. Distribution across educational establishments and Council issues

3.1 The **Schools Block -** funds individual mainstream schools' budgets. Funding is currently based on a local funding formula (LFF). Funding at individual schools level is determined by the number of pupils, their characteristics and premises. This formula applies to all primary and secondary schools. It applies to schools regardless of whether they remain with the Council or convert to an academy during the year.

3.2 For the past few years councils have been required to move to a position whereby the LFF starts to mirror the national funding formula (NFF). Based on affordability Manchester has been able to increase the amount allocated for pupils, their pupil characteristics, and premises, moving closer to the NFF and ensure that no school loses out by no more than 0.5% per pupil. After applying changes outlined previously, on average per pupil funding will increase by **1.88%** per individual school**.** Where schools have seen a drop in pupil numbers since last October census there is likely to be a reduction in their total school funding.

3.3 This part of the grant also supports school expansion, which is set aside in the Growth Fund. It is required to fund the known growth for further in-year expansions and pre/post school opening grants. From 2024/25 local authorities have the flexibility to use growth funding to fund revenue cost associated with repurposing mainstream school spaces for Special Educational Needs and Disabilities (SEND). Manchester seeks to use part of the growth fund to support the repurposing mainstream schools for specialist SEN Units and inclusion places to support the High Needs recovery plan in achieving better outcomes for pupils.

3.4 The **Central Services Schools Block** (CSSB) - is under pressure as the per pupil funding basis has been frozen for a number of years. This part of the grant supports the council's role in education. The change in the grant is not going to fully cover the pay award for central services, such as admissions. Education and finance are reviewing the CSSB to identify how it can be brought into balance.

3.5 The **High Needs Block (HNB)** - this part of the grant is under significant demand and cost pressures, which supports pupils with the highest level of need in the city. The £5.262m (4.10%) increase in HNB, has been targeted to the areas outlined in the table below. The growth outlined below is the net increase after recovery actions to manage demand and cost have been taken.

Table six: High Needs Block growth 2024/25

	2024/25 £m	**Additioal places**
Special Schools, Resource & Specialist SEN Units	2.179	128
Mainstream EHCP including Post 16	1.951	543
Out of City Places and Other Local Authority	1.132	61
Total	**5.262**	

3.6 Councils are permitted to transfer up to 0.5% between DSG blocks. A number of Councils have transferred funds from their schools' block to the HNB, as a way of addressing the pressures in their HNB. Manchester has not reallocated funds in this way yet. It has developed a High Needs recovery plan, which was agreed at School Forum November 2023. It is expected that the recovery measures will have a positive impact on outcomes and financial stability. The HNB recovery improvement plan outcomes and financial position will be monitored to assess the progress and whether other strategies are required, including a block transfer request in 2025/26 of c.£2.400m.

3.7 **Early Years –** At least 95.30% of the core early years funding entitlements will be allocated to early years providers across the core funding entitlements. Manchester is proposing to passport the **full** increase in the funding rates to providers across all entitlements. Additionally, funding will be allocated for early years pupil premium (EYPP), disability access fund (DAF) and maintained nursery school supplementary fund.

3.8 In total £1.717m is being retained by the Council, for the teams that support and administer the early years offers and to fund individual children with additional needs who attend nursery in the private, voluntary and independent (PVI) sector. This will provide targeted intensive support and intervention for children in early years PVI settings where data shows a widening gap compared to the national/local data and high levels of deprivation a predominant factor. This will support the HNB recovery plan with earlier intervention and better outcomes.

3.9 **Under two-years** (from 9 months) entitlement, starting September 2024 Manchester is proposing to passport the full funding rate of £11.61 per hour onto providers. This is to support sufficiency within the early years sector and to facilitate providers with the new expanded entitlements.

3.10 The **Two-year-old** offer funding rate is increasing by £1.03 per hour from the current rate (£2.76 increase from April 2023). The Schools' forum has recommended that the two-year-old funding (both disadvantaged and working parents) is passported to early years providers under a flat base rate 2024/25.

3.11 The **Three and four-year old** base rate old funding rate is increasing by 27p per hour, the proposal is to fully passport this to providers by increasing the basic hourly rate to £5.15.

4. <u>Dedicated Schools Grant (DSG) Medium Term Financial Planning</u>

4.1 The schools block and early years block budgets are expected to balance over the next three years, based on previous trends and forecast data. However, the HNB, which provides funding for pupils with special educational needs, is projected to overspend by between £3.993m and £13.630m each year. This is in line with national trends, with the collective national deficit on the HNB now standing at over £3bn. There is a comparatively smaller pressure on the central school services block (CSSB).

4.2 Table seven shows the projected DSG deficit for each year considering the HNB recovery and in contrast also illustrates the DSG position pre-recovery, where no recovery is considered. The table shows an increasing DSG deficit by year three 2026/27, ranging from £4.015m (post-recovery) to £30.484m (pre-recovery).

Table seven: DSG three-year forecast

DSG Pressures	HNB - Post Recovery				HNB – Pre-Recovery		
	2024/25	2025/26	2026/27		**2024/25**	**2025/26**	**2026/27**
	£m	£m	£m		**£m**	**£m**	**£m**
Central School Services (CSSB)	0.078	0.150	0.246		0.078	0.150	0.246
High Needs Block (HNB)	0.000	0.000	0.000		3.993	8.846	13.630
Total In-Year Deficit	0.078	0.150	0.246		4.071	8.996	13.876
B/fwd deficit	3.541	3.619	3.769		3.541	7.612	16.608
Total Deficit	**3.619**	**3.769**	**4.015**		**7.612**	**16.608**	**30.484**

4.3 The funding shortfall for pupils with high needs and central services block within the DSG remains a significant risk for the Council. It must be addressed as the statutory override preventing the Council from including the accumulated deficit in its general fund balances is set to end on 31 March 2026. If the override was lifted the negative balance could impact on the Council's overall financial sustainability.

5. Conclusion and Recommendations

5.1 Final DSG figures were released in late December 2023 along with the Early Years Block and the October 2023 pupil census and other census data that are used to determine schools' actual budget allocations for next year. Changes in formula and budget are outlined in the report

5.2 There is an increasing DSG deficit by year three 2026/27, ranging from £4.015m (post-recovery) to £30.484m (pre-recovery). The funding shortfall for pupils with high needs and central services block within the DSG remains a significant risk for the council. It must be addressed as the statutory override preventing the council from including the accumulated deficit in its general fund balances is set to end on 31 March 2026.

5.3 Council is asked to note:-

Schools Block

- All Manchester primary and secondary schools should receive a per pupil increase of 0.5% minimum. The local funding formula's average per pupil increase is 1.88%

- Manchester does not intend to propose a 0.5% transfer from the school block to high needs 2024/25, given the anticipated impact of the High Needs recovery plan.
- Explicit growth fund to include budget for setting up SEN and Inclusion Units in mainstream schools.

High Needs Block
- The 4.10% increase in this part of the grant is not expected to cover anticipated inflation and growth in demand.

Early Years Block
- The full increase in the early years funding rates to be passed onto providers, across all entitlements.

Central Services Schools Block
- Central services school block (CSSB) funding on a per pupil basis has remained the same as 2023/24. This block will continue to be under pressure to stay within budget, given the additional burden due to the new admission code, with no reduction in other functions councils are required to provide.

Manchester City Council
Report for Information

Report to:	Health Scrutiny Committee – 7 February 2024 Executive - 14 February 2024
Subject:	Public Health Budget 2024-27
Report of:	Director of Public Health

Summary

Local Government is under profound financial pressure, largely due to externally driven cost and demand pressures at a national level particularly affecting Adults Services, Children's Services and Homelessness. It is in this context that the Council must set a balanced budget.

Following the provisional finance settlement announced 18 December the Council is forecasting an estimated budget shortfall of £38m in 2024/25, £79m in 2025/26, and £90m by 2026/27. After the application of approved and planned savings, and the use of c.£17m smoothing reserves in each of the three years, the budget is balanced for 2024/25 and the remaining gap reduces to £29m in 2025/26 and £41m by 2026/27. This position assumes that savings of £21.4m will be delivered next year.

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 2023. Each scrutiny committee is invited to consider the proposed budget changes that are within its remit and to make recommendations to the Executive before it agrees to the final budget proposals on 14 February 2024.

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	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.

achieving the zero-carbon target for the city	
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 2024/25 revenue budget set by Council on 1 March 2024.

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.

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

1. Introduction and purpose

1.1. The report sets out the proposals for the Public Health budget for 2024/25 to 2026/27. It provides:

(i) An overview of Public Health services and key priorities;
(ii) A detailed overview of the budget; and
(iii) An update on Making Manchester Fairer (MMF).

2. Service overview and priorities

2.1. The Department of Public Health's overarching aims are to develop strategies and delivery plans, policies, work programmes and commission of services to; improve the health and wellbeing of the population of Manchester, protect them from threats to their health, prevent and mitigate risks to support better health outcomes, and create the conditions in society and the environment that lead to better health. This work is done using the best available evidence, data and insight.

2.2. The key Department priorities are to:

- Lead the implementation the Making Manchester Fairer Action Plan including delivery of the integrated anti-poverty strategy
- Strengthen the resilience and capacity of commissioned services to respond to population needs and inequalities driven by the cost-of-living crisis and the legacy of the COVID-19 pandemic
- Ensure that work to improve population heath and reduce inequalities across the Manchester Locality Partnership is supported by high quality, useable evidence and intelligence

Health Improvement and Wellbeing

- Strengthen our capacity to improve health and wellbeing for children and young people
- Refreshing the Manchester Age Friendly Strategy
- Lead the development of an all-age mental wellbeing strategy for the city
- Relaunch CHEM as Community Health Equity Manchester with redefined focus, and programme of work to build trust, amplify voice and provide insight for specific communities

Health Protection and Healthy Environments

- Maintain a robust health protection system that can deal with business as usual as well as being able to respond to unexpected events including outbreaks, surges in infections and emerging health protection issues with a focus on reducing health inequalities

Health Care Public Health and Partnerships

- Support the Manchester Partnership Board to deliver the health and wellbeing priorities for the city, integrating population health and prevention of ill health approaches in Manchester locality and neighbourhood arrangements.

3. Service budget and proposed changes

3.1. Public Health is funded nationally through a specific ringfenced grant. However, the Greater Manchester locality has been part of the governments business rates pilot for a number of years whereby the funding ringfence is removed and an equivalent allocation received as an adjustment to business rates.

3.2. The gross 2023/24 budget detailed in the table below is £54.126m and the net budget of £43.266m. Income of £10.860m includes use of reserves £3.753m, government grants £4.489m and other contributions from NHS partners, from other local authorities and Better Care Fund totalling £2.618m.

Table One: Base budget 2023/24

Service Area	2023/24 Gross Budget £'000	2023/24 Net Budget £'000	2023/24 Budgeted posts (FTE) £'000
Children's:			
Health Visitors	11,164	11,164	
Schools Health Service	4,155	4,155	
Other Children's	415	415	
Sub Total	**15,734**	**15,734**	**-**
Wellbeing:			
Be Well Service	2,921	1,585	
Weight Management	599	599	
Smoking Prevention	812	570	
Falls Service	768	768	
Other Wellbeing	2,793	2,176	
Sub Total	**7,892**	**5,696**	**-**
Drug & Alcohol Services:			
Integrated Treatment & Support Service	11,816	6,932	
In-patient Detox & Residential Rehab	944	944	
Young People Services	652	652	
Other Drug & Alcohol	736	736	
Sub Total	**14,148**	**9,264**	**-**
Sexual Health Services:			
Sexual Health	7,216	6,387	
HIV	1,227	1,227	
Other Sexual Health	1,599	1,408	
Sub Total	**10,042**	**9,021**	**-**
Making Manchester Fairer:			
COVID Health Equity Manchester (CHEM)	160	160	
Sub Total	**160**	**160**	**-**
Other Staffing, Management & Support:			
Core Staffing	3,833	2,904	59.00
Locality budget	0	0	

Other	2,317	487	
Sub Total	**6,150**	**3,391**	**59.00**
Total Public Health	**54,126**	**43,266**	**59.00**

3.3. The latest 2023/24 global monitoring report to the Executive outlined a £0.8m underspend. Savings of £0.730m have been achieved in full. There are underspends across the staffing budgets due to vacant posts and the maximisation of external funding, and underspends on other indirect staffing costs.

Savings Plan 2024-27

3.4. There is a minor additional vacancy savings allocation of £0.015m for 2024/25. Planned non recurrent use of reserves in 2023/24 of £0.330m is replaced in 2024/25 with the planned use of headroom in the budget set aside for contract uplifts as detailed in the report to Health Scrutiny February 2023. The approved savings schedule for 2024-26 is detailed in **Appendix 1**.

Growth and Pressures 2024-27

3.5. The provisional public health settlement has been received for 2024/25, a 1.318% increase totalling £0.752m. The final confirmation is expected before the end of March 2024. No additional growth and pressures were approved for 2024-26. Provision has been made for inflationary price increases and potential pay awards. This is held corporately and will be allocated to service budgets when the details are available and considered together with the funding settlement for Public Health.

3.6. The 2023/24 budget for the Manchester Locality Structure for health was provisionally set at £8.3m, which is lower than the existing cost of the locality structure. The budget and structures were subject to consultation prior to a final agreed position with the ICB. The final allocation for running costs was £7.8m. To avoid losing capacity that is essential to the provision of NHS services in Manchester and to ensure there is a managed transition to reducing costs, the Council agreed to fund the public health, population health and equality, inclusion and engagement teams, recurrently by applying £0.5m of public health grant. In addition, a one off £1m from the Public Health reserve to smooth the transition from the CCG to the locality place based budgets and underwrite any potential shortfall.

3.7. Further work is being undertaken to reduce costs and ensure the 2024/25 budget is within the resources available. The 2024/25 planning round is currently underway to understand what recurrent allocations are available from the ICB to support running costs. This is focused on further aligning health and care within Manchester, working across the partnership to create a more integrated model for the City focused on delivering the right outcomes for Manchester's population in a financially sustainable way. £1m of the funding was allocated on a one-off basis in 2023/24 to support the locality integrated model. Further discussions are being held on the locality budget and there is a need to manage the use of all available resources to support the integration of health and care across Manchester. The public health budget has been allocated to ensure sustainable funding for the previously funded CCG/GMICB health protection posts and the CCG/GMICB Engagement and Equalities function, which will be fully integrated into the Manchester Locality (MLCO and MCC) from 1 April 2024. The other budget priorities for public health relate to the demand pressures on commissioned services such as sexual health, along with the investments in the Making Manchester Fairer Programme which is a priority for the City Council and partners. This work needs to be concluded before the final decisions on the allocation of the funding can be made.

<u>Government Grants and Joint Funding 2024-27</u>

3.8. The key arrangements are as follows:

(i) Supplementary Substance Misuse Treatment and Recovery Grant (SSMTRG) funding scheme, to support local delivery of the strategy. Use of the SSMTRG should directly address the aims of the treatment and recovery section of the drug strategy. 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. The 2023/24 allocation is £2.394m, rising to £4.621m in 2024/25. Discussions are taking place regarding funding beyond this date.

(ii) Supplementary Substance Misuse Treatment and Recovery Housing Support Grant to provide a menu of options to improve the recovery outcomes of people in treatment (or in contact with the treatment system) with a range of housing support needs. Manchester's annual allocation for 2023-25 is £0.889m.

(iii) Grant for delivery of 'Individual Placement Support' (IPS) to provide employment support within alcohol and drug treatment services. The funding allocation in 2023/24 is £0.162m rising to £0.167m in 2024/25.

(iv) Drug & Alcohol Treatment for Rough Sleepers Grant to provide wrap around engagement and support to support individuals in accessing, engaging with and sustaining engagement with drug and alcohol treatment and relevant services. Manchester's annual allocation for 2023-25 is £1.044m.

(v) Stop smoking services grant. The 2024/25 additional allocation is £0.929m. There will be a specified reporting regime, which will include information about activity levels and "quit rates", the latter being a recognised Performance Indicator. Subject to conditions and further adjustments, the city can expect a similar allocation in the following years up to 2028/29.

(vi) Additional funding is attached to the above for Inpatient Detoxification, and this is targeted to increase the number of people accessing support for inpatient detoxification services. A Greater Manchester Consortium is in place to enable the 10 local authorities to work together as a regional integrated care system to commission additional medically managed capacity in local hospital or inpatient settings. Manchester's annual allocation for 2023-25 is £0.139m.

(vii) Early Years Pilot (Oral Health Grant) to improve oral health interventions in Manchester, Tameside and Trafford, and deliver an Oral Health Conference. The annual allocation for 2023-25 is £0.313m (to be distributed fairly across the 3 localities based on need.)

(viii) Family Hubs Grant (received via Children's Services) to provide infant feeding enhancements in north and south Manchester, speech and language and learning development enhancements. The funding allocation in 2023/24 and 2024/25 is £0.409m.

3.9. **Appendix 3** provides an overview of the forecast medium-term budgets by service. **Appendix 4** provides an objective analysis of the 2023/24 budget to also set out the key areas of income. The forecast grants are listed at **Appendix 5.**

4. Making Manchester Fairer and Anti Poverty Strategy

4.1. Making Manchester Fairer (MMF) is Manchester City Council's five-year action plan to address health inequalities in the city focussing on the social determinants of health.

4.2. In the wake of the COVID-19 Pandemic and the cost-of-living crisis, the need to tackle inequalities in the city continues to be a corporate and political priority. The delivery of MMF can be by its 8 themes, 4 ways of involving communities and 6 principles that underpin the way the programme will be delivered. Implementation of the plan has focused on the foundational workstreams required to ensure robust delivery of the plan.

MMF Delivery Plan Themes, Principles and Ways of Involving communities.

Eight Themes:	**Six Principles:**	**Four Ways of Involving Communities*:**
Early years, children and young people	Proportionate universalism and focus on equity	Listen to us
Poverty, income and debt	Respond to and learn from the impact of COVID 19	Trust us
Work and employment	Tailor to reflect the needs of Manchester	Employ us
Prevention of ill health and preventable deaths	Collaboration, creativity, and whole system approach	Create and support the conditions for social

Eight Themes:	Six Principles:	Four Ways of Involving Communities*:
		connections to develop and flourish
Homes and Housing	Monitoring and evaluate to ensure we are Making Manchester Fairer – narrowing gaps with Manchester as well as regional and national averages	
Places, transport and climate change	Take a life course approach with action on health inequalities starting before birth and right through to focus on ageing and specific needs of older people	
Communities and power		
Systemic and structural racism and discrimination		

*Based on insight from community group engagement

4.3. Investment of up to £2.989m over the 2023/24 and 2024/25 financial years has been identified from Public Health reserves. This is one off funding of which £2.281m has been used to support the Kickstarters programme, and this is phased over 2023/24 (£944k) and 2024/25 (£1.337m). The remaining £0.708m budget is allocated to programme delivery that includes, staffing costs, communications and other commissioned activity. With the expectation that delivery of the MMF programme and identified Kickstarter schemes will deliver savings to the health and social care system and wider including Education, Work and Skills.

4.4. The two Kickstarter schemes prioritised for investment are challenged with delivering the MMF plan's principles, improving health equity and also demonstrating an 'invest to save' approach. Current budget allocation provides programme delivery resources and funds phase one Kickstarter Schemes.

MMF Spend Allocation	2023/24 £'000	2024/25 £'000	Total £'000
Programme Resources	200	508	708
CYP - Childrens Kickstarter	792	208	1,000
CYP - Young People's Kickstarter	137	294	431
Early Help for Adults Kickstarter	15	835	850
TOTAL	**1,144**	**1,845**	**2,989**

4.5. The phase one Kickstarters are expected to deliver financial benefits as well as improving health equity for the target population groups. An update on the two Kickstarter schemes is provided below.

Improving Health Equity for Children and Young People (£1.431m)

Children's Kickstarter

4.6. In April work began to implement the 3-tier support offer delivered by a collaborative task force of services to provide intensive, targeted and universal support and interventions for children and families in early years. Benefits of the Kickstarter will be in the short / medium term:

- Improved school attendance
- Improved uptake of Early Years offers/free 2-year-old childcare
- Improved school readiness

4.7. Longer term benefits will be realised in 2 -3 years through:

- Reduction in demand for specialist services such as speech and language therapy
- Reduction in Education, Health, and Care Plans (EHCPs) due to needs being met at SEND (Special Educational Need and Disability) services.
- Increase in children reaching the appropriate level at each transition stage.

4.8. Intensive schools: All ten schools have been appointed a Support Worker which has enabled the assessment, training and input from an Educational Psychologist (EP) and Speech and Language Therapist (SALT). Accompanying this, each school established a taskforce group made up of partners based on the needs and challenges of the school.

4.9. Targeted schools: Support started in the Autumn term. Each of the five clusters completed a needs analysis to identify how they could best utilise the support from the EP and SALT to meet their needs. The Early Years Outreach Workers were also appointed and started working with each cluster of schools, taking referrals for families from the schools.

4.10. Universal Offer: The early years transition reading book was given to all children going into a reception class in a Manchester school before the Summer term ended. This was supported with enrichment packs for pre-school professionals, parents and the reception class staff to support the transition. A webinar was delivered covering social housing and homelessness prevention following feedback that housing was an issue many families faced.

4.11. Initial baseline data has started being collected from schools now information sharing agreements are in place. Further data will be collected at the end of the Spring and Summer terms to allow assessment of the intervention on pupils' progress, their attendance and parental engagement. The impact of the interventions on early years will be collected on a termly or quarterly basis with the first data being available from January 2024 with qualitative analysis also being carried out to better understand the outcomes of the interventions and their impact through structured interviews with those involved with the project.

These findings will start to become available in the Spring term.

4.12. Discussions are now under away to secure funding from public health reserves to sustain the Children's Kickstarter beyond the current programme end date of June 2024. This will be finalised in the next month.

Young People's Kickstarter

4.13. The purpose of the Young People's Kickstarter is to give Children and Young People (CYP) in Manchester who are already experiencing inequalities and inequities on their mental health and wellbeing, the support that they need to improve their life chances. As well as proving the opportunity to learn and build evidence for longer-term strategic approaches to reduce inequities in CYP mental health and wellbeing in the city.

4.14. A Specialist VCSE (Voluntary, Community and Social Enterprise) organisation with knowledge and experience of the needs of young people in Manchester, skilled in supporting young people with mental health and wellbeing issues, and understanding of the needs and assets of Manchester's communities and young people, will deliver over a 12-month period the following elements of the Kickstarter Scheme:

(i) Building skills and capacity in community-based organisations to strengthen the support they can provide to CYP experiencing poor mental health and wellbeing (at current funding levels, there is the capacity to train around 200 CYP practitioners to develop new skills in supporting CYP with mental health needs)

(ii) Provide targeted community-based mental health and wellbeing support to CYP from marginalised communities (e.g. CYP from racially minoritised and LGBTQ+ communities, CYP living in poverty, or care experienced CYP) who are currently experiencing poor mental health and wellbeing (at current funding levels, there is capacity to support 550 CYP who would not otherwise be receiving any support)

4.15. In addition, Public Health is providing funding of £126k for 2023/24 (with a possible further £74k in 2024/25, to be confirmed) to increase capacity within the Be Well service, to support CYP from marginalised communities through social prescribing and connecting with other community wellbeing support. This service is available to CYP who are receiving mental health and wellbeing support through the Kickstarter, to CYP who are not eligible to access Kickstarter support but who need wellbeing support, and to their families through the wider Be Well service which offers a range of 'social determinants' and wellbeing support (e.g., advice services, support to remain in or return to employment, health coaching, connecting to community support). The Be Well service has an excellent track record of engaging marginalised communities in support, and of improving wellbeing outcomes across a range of domains.

4.16. Delivery of the targeted support element of the Kickstarter Scheme commenced in November and measurable benefits will be evident from January 2024.

4.17. Benefits will be in short / medium term:
- Take up of targeted support and engagement with young people- VCSE provider will be triaging 42nd w/list based on targeted groups outlined.
- Improvement in wellbeing - measured at start and end of support with regular follow up at 3/6/9 months post support.
- Reduction in 42nd waiting list for the targeted groups

4.18. Longer term benefits in 2 years will be seen by reducing or preventing demand in high demand areas such as:
- Reduced referrals for specialist mental health services
- Visits to A&E
- Substance abuse

4.19. It is worth noting these longer-term significant benefits will only be realised if learning from Kickstarter outcomes enabled the provision to be scaled up.

Early Help for Adults Experiencing Multiple and Complex Disadvantage (£0.850m)

4.20. This Kickstarter will allow Multi-Agency Prevention and Support (MAPS) meetings to be delivered across 13 Integrated Neighbourhood Team footprints, bringing together locality- based professionals with intelligence and experience working with adults who require supportive interventions. A commissioned local support provider with experience of working across sectors will draw on the intelligence of all MAPS and VCSE partners to provide a bespoke holistic support intervention and a single point of contact for the individual receiving support. The target group are adults experiencing multiple disadvantage (e.g. homelessness, mental ill health, alcohol or drug misuse, and unemployment).

4.21. It is envisaged that a local provider will be commissioned in early 2024 to provide this support.

4.22. Monthly monitoring of the additional MAPS and commissioned activity will take place from the date each MAPS is implemented. Benefits of provision should be evident from Q1 of the 2024/25 financial year.

4.23. Benefits will be in short / medium term:
- Referrals to new MAPS Meetings
- Relationship building and intelligence sharing with MAPS partners
- Embedding of Early Help for Adults Case Management within MAPS supporting the wider support network

4.24. Longer term benefits in 2 years will be seen by reducing or preventing demand in high demand areas including:
- Reduction in A&E presentations

- Reduction in the number of people sleeping rough or who are homeless
- Reductions in demand for adult social care services
- Reduction in intensive mental health support

4.25. 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 continues implications and impact of the cost-of-living crisis 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.

4.26. Future funding opportunities would focus on sustainability and mainstreaming elements of the Kickstarters that provided the greatest benefits and providing VCSE organisations with long-term funding to build their capacity to support the delivery of the MMF Plan.

4.27. The process of reviewing the approach and benefits of the Children's Kickstarter underway. This will inform how the model would be resourced and delivered in year two. Discussions are under away to secure funding from public health reserves to sustain the Children's Kickstarter beyond June 2024 with confirmation of funding is to be finalised in February 2024.

5. Anti-Poverty Strategy

5.1. The approach to Cost of Living, Anti-Poverty and Making Manchester Fairer (Including Health Equity) is summarised in the Figure below.

5.2. At the January Resources and Governance Scrutiny Committee it was agreed 5% of the Cost of Living Group budget (£178k) would be made available to support the Anti Poverty Strategy work focused on to the following activities:

- Benefits maximisation – Working age adults and 50+ & targeted work with retired people around access to entitlements such as pension credit and attendance allowance and linking into the new Age Friendly Strategy.
- Work with organisations supporting young people to deliver a series of workshops/activities that support financial inclusions activities including budgeting, understanding.
- Commission the collation and management of a single source of information for professionals to support residents.
- Supporting the poverty proofing of the school day particularly focusing on support VCSE organisations regarding affordable school uniform.

6. Commissioning and procurement priorities

6.1. Five high value commissioned services are undergoing due diligence checks at the present time in line with all other ‘Gold’ or strategic contracts across the Council. These are as follows - Health Visitors Service, School Health Service, Contraception, Sexual Health and HIV Service (Northern), Integrated Drug & Alcohol Treatment & Support Service (CGL Manchester), and Community Nutrition Support Service.

6.2. The Health Visitors Service leads the delivery of the Healthy Child Programme (0-5 years) across the city and works in partnership with maternity services, early years services, primary and secondary care, children’s social care and others. The workforce consists of specialist community public health nurses (SCPHN) and teams who provide expert information, assessments and interventions for babies, children, and families including first time mothers and fathers and families with complex needs. Health Visitors help to empower parents to make decisions that affect their family's health and wellbeing, and their role is central to improving the health outcomes of populations and reducing health inequalities. The service is led by Health Visitors and supported by skill mix teams. An Infant Feeding Service is provided in north Manchester and the additional Family Hubs Grant funding has enabled the service to expand citywide.

6.3. The Health Visitors Service will be undergoing a desk-top review from January 2024 – March 2024.

6.4. The School Health Service leads the delivery of the Healthy Child Programme (5-19 years) across the city and works in partnership with wide range of professionals and organisations to support children and families. The Healthy Child Programme is universal and provides an early opportunity to identify children and families that may need additional support or are at risk of poor outcomes. The service has 4 elements including –

(i) School Nursing which delivers safeguarding and clinical interventions including weighing and measuring children (National Child Measurement Programme), immunisations and outbreak response;

(ii) Healthy Weight Team which delivers weight management and safeguarding interventions to children identified as overweight, obese or morbidly obese;

(iii) Healthy Schools Programme which delivers health promotion across a curriculum of health-related topics; and

(iv) Accident Prevention which delivers health promotion to reduce accidental death and unintentional injury (for example, falls, cuts, burns, drowning) and works with various organisation including several Council Departments including Trading Standards, Neighbourhoods, Highways.

6.5. The School Health Service is undergoing a review which is due to conclude at the end of December 2023 with a view to a new service specification being in place from 1 April 2024. The review has been taking place against a backdrop of capacity constraints within the service due to recruitment difficulties. It is reported that the school nurse workforce across England has reduced by one third between 2009 and 2022 (NHS Digital, 2023.)

6.6. The Northern Contraception, Sexual Health and HIV Service (for people of all ages) is commissioned to provide routine, intermediate and specialist sexual & reproductive health provision including the testing and treatment of sexually transmitted infections (STIs), all methods of contraception, emergency contraception, condoms, pregnancy tests, abortion information, dedicated services for young people under the age of 25 (FRESH), reproductive health advice and referral, post exposure prophylaxis (PEP) and pre exposure prophylaxis (PrEP.) Specialist services are available including the Chemsex Clinic (known as REACH.)

6.7. Performance information from Northern confirms that the service is in very high demand. There is an intention to work collaboratively with the service to address service capacity issues and develop service improvement options.

6.8. The Integrated Drug and Alcohol Treatment and Support Service (CGL Manchester) is commissioned to deliver a single referral, triage and assessment process for all drug and alcohol interventions delivered in a community setting. The service has a number of elements including prevention and self-care including training on drugs and alcohol, engagement and early intervention including harm reduction (including Needle & Syringe Programmes), structured treatment, and recovery support. The service is available citywide and can be accessed digitally and across community settings (for example, in criminal justice settings such as Probation.)

6.9. CGL Manchester have received additional investment as a result of the various grant schemes highlighted above in 3.4. Performance information confirms excellent performance for increasing the numbers of people in treatment and for improving on continuity of care from prison to community treatment.

6.10. The Community Nutrition Support Service is commissioned to deliver community nutrition (for example, sip feeds to supplement a normal diet in certain groups of residents with poor nutritional intake or status), home enteral feeding, and a prevention of malnutrition programme. There is an intention to discuss future commissioning arrangements with the MCLO (Manchester Local Care Organisation) and the NHS Locality Team.

6.11. A tender exercise is currently underway for a Contraception & Sexual Health Service for Young People (aged 19 and under.) The service will meet the routine and intermediate needs of young people through the provision of contraception, and screening for and treatment of common sexually transmitted infections. The service will operate a clinic in the city centre and deliver education outreach activities, provide postal STI testing kits to eligible people via a digital service, and develop at least one sexual health prevention and promotion campaign per year.

6.12. A tender exercise is planned for the provision of Drug and Alcohol In-patient Detoxification and Residential Rehabilitation placements. The In-patient Detoxification Service provides short episodes of drug and alcohol treatment in a hospital or in-patient setting including assessment, stabilisation and assisted withdrawal/treatment where it isn't safe to provide these interventions in the community. The Residential Rehabilitation Service provides placements for residents who have been assessed by the Substance Misuse Social Work Team as requiring residential rehabilitation as part of their treatment and care plan.

6.13. A new contract is due to be issued in June 2024 for the provision of a GM Sexual Health Improvement Programme (which is provided by Black Health Agency for Equality, LGBT Foundation and George House Trust who work together as the PaSH (Passionate about Sexual Health) Partnership.) The programme delivers STI and HIV prevention and support to residents from populations who are at most risk. It is intended that the GM local authorities will work closely with the PaSH Partnership to review the current service specification before a new contract is issued.

7. Workforce

7.1. There are no workforce implications based on what is set out within this report. More generally, work has taken place over the past 12 months to establish virtual teams aligned to thematic delivery. This provides a better environment in which to share skills and expertise across the Department and provides clarity and stability to the workforce post-pandemic.

7.2. In order to support the delivery of the Making Manchester Fairer Programme, funded by the Public Health Reserves, a number of roles have been created, the majority of which have now been filled. Turnover within the Department remains low, at 3.7%.

8. Future opportunities, risks and policy considerations

8.1. The cost of living has increased sharply across the UK in recent years. Recent data confirms it was 6.7% in September 2023, unchanged from the previous month. Rising costs have had an impact on commissioned services and robust budget management has enabled appropriate uplifts to contracts.

8.2. Commissioned service providers pay a minimum of the Real Living Wage to their workforce in line with the plan to make Manchester a Real Living Wage city.

8.3. As referred to in 3.4, there is currently no further information on the Grant schemes income beyond 2024/25. This creates a level of uncertainty when it comes to future planning. Of particular concern is the Supplementary Substance Misuse Treatment and Recovery Grant (SSMTRG) with Manchester already achieving excellent outcomes in relation to the numbers of people in drug treatment. However other parts of the country are not performing as well, and this could lead to a “blanket” withdrawal of funding.

8.4. The mainstreaming of successful Kickstarter schemes will be considered as part of a phased approach, as the schemes have all had different start dates (see section 4.6). The process of reviewing the approach and benefits of the Children’s Kickstarter is underway. This will inform how the model would be resourced and delivered in year two. Discussions are under away to secure funding from public health reserves to sustain the Children’s Kickstarter beyond June 2024 with confirmation of funding is to be finalised in February 2024.

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Appendix 1: Savings Schedule

Service	Description of Saving	Type of Saving	RAG Impact	Amount of Saving			Indicative FTE Impact
				2024/25 £'000	2025/26 £'000	Total £'000	
Directorate	Use of 2022/23 underspend	Efficiency		(330)		(330)	None
Directorate	Headroom in budget set aside for contract uplifts	Efficiency		330		330	None
Total				**-**	**-**	**-**	
Establishment	Vacancy Target			15		15	
Total				**15**		**15**	

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Appendix 2: Growth and Pressures Schedule

Service	Description of Pressure	Amount of Pressure			
		2024/25 £'000	2025/26 £'000	2026/27 £'000	Total £'000
Settlement funding		752			752
Total		**752**			**752**

Appendix 3: Indicative Medium term budgets by service

Service Area	2023/2024 Budget £'000	2024/2025 Indicative Budget £'000	2025/2026 Indicative Budget £'000	2026/2027 Indicative Budget £'000
Children's:				
Health Visitors	11,164	11,164	11,164	11,164
Schools Health Service	4,155	4,155	4,155	4,155
Other Children's	415	415	415	415
Sub Total	**15,734**	**15,734**	**15,734**	**15,734**
Wellbeing:				
Be Well Service	1,585	1,585	1,585	1,585
Weight Management	599	599	599	599
Smoking Prevention	570	570	570	570
Falls Service	768	768	768	768
Other Wellbeing	2,176	2,176	2,176	2,176
Sub Total	**5,696**	**5,696**	**5,696**	**5,696**
Drug & Alcohol Services:				
Integrated Treatment & Support Service	6,932	6,932	6,932	6,932
In-patient Detox & Residential Rehab	944	944	944	944
Young People Services	652	652	652	652
Other Drug & Alcohol	736	736	736	736
Sub Total	**9,264**	**9,264**	**9,264**	**9,264**
Sexual Health Services:				
Sexual Health	6,387	6,387	6,387	6,387
HIV	1,227	1,227	1,227	1,227
Other Sexual Health	1,408	1,408	1,408	1,408
Sub Total	**9,021**	**9,021**	**9,021**	**9,021**

Making Manchester Fairer: COVID Health Equity Manchester (CHEM)	160	160	160	160
Sub Total	**160**	**160**	**160**	**160**
Other Staffing, Management & Support: Core Staffing	2,904	2,889	2,889	2,889
Other	487	1,239	1,239	1,239
Sub Total	**3,391**	**4,128**	**4,128**	**4,128**
Total Public Health	**43,266**	**44,003**	**44,003**	**44,003**

Appendix 4: Indicative Medium term budgets by type of spend / income

Public Health	2023/2024 Budget £'000	2024/2025 Indicative Budget £'000	2025/2026 Indicative Budget £'000	2026/2027 Indicative Budget £'000
Expenditure:				
Employees	3,903	3,888	3,888	3,888
Running Expenses	50,222	51,283	51,283	51,283
Capital Financing Costs	-	-	-	-
Contribution to reserves	-	-	-	-
Sub Total Subjective Expenditure	**54,126**	**55,171**	**55,171**	**55,171 re**
Less:				
Other Internal sales				
Gross Expenditure	**54,126**	**55,171**	**55,171**	**55,171**
Income:				
Government Grants	- 4,489	- 7,650	- 7,650	- 7,650
Contributions from Reserves	- 3,753	- 900	- 900	- 900
Other Grants Reimbursements and Contributions	- 2,618	- 2,618	- 2,618	- 2,618
Customer and Client Receipts	-	-	-	-
Other Income	-	-	-	-
Gross Income	**- 10,859**	**- 11,168**	**- 11,168**	**- 11,168**
Total Net Budget	**43,266**	**44,003**	**44,003**	**44,003**

Appendix 5: Government Grants Indicative Medium term budgets

Government Grants 2024-27	2023/2024 Budget £'000	2024/2025 Indicative Budget £'000	2025/2026 Indicative Budget £'000	2026/2027 Indicative Budget £'000
Supplementary Substance Misuse Treatment and Recovery Grant (SSMTRG)	2,394	4,621	4,621	4,621
Supplementary Substance Misuse Treatment and Recovery Housing Support Grant	889	889	889	889
Individual Placement Support' (IPS)	162	167	167	167
Rough Sleeper Drug & Alcohol Treatment	1,044	1,044	1,044	1,044
Stop smoking services		929	929	929
Total Government Grants	**4,489**	**7,650**	**7,650**	**7,650**

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Manchester City Council
Report for Information

Report to:	Health Scrutiny Committee – 7 February 2024 Executive - 14 February 2024
Subject:	Adults Social Care Budget 2024-27
Report of:	Executive Director of Adult Social Services

Summary

Local Government is under profound financial pressure, largely due to externally driven cost and demand pressures at a national level particularly affecting Adults Services, Children's Services and Homelessness. It is in this context that the Council must set a balanced budget.

Following the provisional finance settlement announced 18 December the Council is forecasting an estimated budget shortfall of £38m in 2024/25, £79m in 2025/26, and £90m by 2026/27. After the application of approved and planned savings, and the use of c.£17m smoothing reserves in each of the three years, the budget is balanced for 2024/25 and the remaining gap reduces to £29m in 2025/26 and £41m by 2026/27. This position assumes that savings of £21.4m will be delivered next year.

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 2023. Each scrutiny committee is invited to consider the proposed budget changes that are within its remit and to make recommendations to the Executive before it agrees to the final budget proposals on 14 February 2024.

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. *Progressive and equitable city:* Our work to deliver Better Outcomes Better Lives is designed to contribute to the creation of a progressive and equitable city – through working with our communities, our people and assets to improve outcomes for those who need care and support
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 2024/25 revenue budget set by Council on 1 March 2024.

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.

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

1. Introduction and purpose

1.1. The report sets out the final proposals for the Adults Social Care (ASC) budget for 2024/25 to 2026/27. It provides:

(i) An overview of ASC services and key priorities and positioning within the Manchester Local Care Organisation;

(ii) A detailed overview of the budget, including:

- the significant financial challenges on the 2023/24 budget and requirement to resolve them ahead of incorporating the 2024/25 budget proposals;
- the update to budget growth assumptions for the service as set out in the Council's Medium Term Financial Plan (MTFP);
- confirmation of the savings plan 2024-26; and
- future risks and opportunities including significant budget considerations in 2025/26.

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. Strong joint financial leadership is ensuring the process and the outcomes of the joint financial planning work better in Manchester.

1.3. MLCO is in process of developing the Operating Plan for 2024/25 and the underpinning service plans across Community Health and ASC.

1.4. The Operating Plan will be drafted by end February and should be finalised by end March 2024.

1.5. The approach is embedded into the planning approaches in both Manchester Foundation Trust (MFT) and the City Council; MLCO will deliver one overarching Operating Plan for community health and ASC in one document that meets the requirements of both MFT (and therefore the Integrated Care Board and NHS Planning guidance) and the City Council.

1.6. 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. Strong joint financial leadership is ensuring the process and the outcomes of the joint financial planning work better in Manchester.

2. MLCO overview 'We are Community'

2.1. MLCO is the public sector partnership organisation that provides Manchester's NHS adult and children's Community Health services and Adult Social Care services. It is the partnership vehicle for the delivery of joined up health, care and wellbeing services.

2.2. Over 2,100 NHS adults and children's community healthcare staff from MFT and over 1,700 adult social care staff from Manchester City Council are formally deployed to be part of MLCO; they include district nurses, social workers, health visitors, community dentists, therapists, school nurses, reablement teams, rehabilitation teams, intermediate care staff, end of life care professionals, disability supported accommodation staff and many other health and care professionals.

2.3. The MLCO enables these staff to work together as integrated teams with other community partners, such as GPs, housing, VCSFE, police and leisure to provide better care to the people of Manchester, keeping people well in the community and out of hospital.

2.4. The MLCO uniquely has a deployed commissioning function as part of its operating model; in Aug 2019 some aspects of community health commissioning was deployed into the MLCO from (the former) MHCC and in April 2021 Adult Social Care commissioning was deployed into the MLCO; integrating into our operating model and codified in the MLCO Commissioning Plan.

2.5. The MLCO is unique in GM and the Section 75 Agreement (the means of achieving formal integration between the Manchester University Foundation Trust (MFT) and Manchester City Council) was signed in 2021 and facilitates the effective delivery of integrated health and adult social care.

2.6. 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. It is due to be reviewed and renewed in 2024/25.

2.7. 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.

2.8. The budget strategy for Adult Social Care, as detailed in this report, will also be incorporated into the Section 75 agreement with MFT and this will be included within the overall budget recommendations to the Executive accordingly.

3. Adult Social Care - overview and priorities

3.1. Adult services range from supporting young adults, to people who are in their later life. Support can range from receiving advice and guidance, through to shorter term support and onto commissioned services. Assessment for services is undertaken through a Care Act Assessment that uses national eligibility criteria defined in the Care Act 2014.

3.2. Aligned to the Care Act's expectations, assessments undertaken will 'consider the person's own strengths and capabilities', and what support might be available from their wider support network or within the community to help. Assessment conversations explore the person's life holistically, considering their needs in the context of their skills, ambitions, and priorities.

3.3. 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.

3.4. Manchester City Council supports a large number of Manchester residents with social care needs. Manchester has a relatively young population profile with around 50,000 residents aged over 65 in 2023, some 8% of the population. The number of residents aged 65 or over has increased by 3,300 from 2010 to 2023, which is 7% growth in 13 years, and lower than the overall rate of growth of the city's population in that time. Information on people supported is presented below.

	31st March 2022	**31st March 2023**	**31st Dec 2023**
Homecare hours per week	28,389	32,592	37,548
People receiving Homecare	1,889	2,082	2,214
People in Older People Residential and Nursing (Excluding self funders)	842	698	721
People in Physical Disability Residential and Nursing (Excluding self funders)	119	118	127
People in Learning Disability Residential and Nursing	158	163	163
People in Learning Disability Support Accommodation (Incl in-house)	485	492	514
People in Mental Health Residential and Nursing	367	372	387
People in Mental Health Supported Accommodation	332	318	334

The following are provided on a rolling 12 months basis:

	31st Dec 2021	**31st Dec 2022**	**31st Dec 2023**
Items of equipment and adaptations were installed/provided	10,207	10,989	11,266
Blue badges were issued	7,270	8,162	7,908
People benefitted from our core reablement service	1,612	1,610	1,480
Carers were assessed	1,512	1,675	1,748
Safeguarding enquiries were opened for individuals	6,203	5,803	5,724

3.5. 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 independence. This includes investment in equipment and adaptations, technology-enabled care and our in house reablement services. Over 65% 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.

3.6. Whilst the fundamental priority for Adult Social Care in 2024/25 remains the safe, effective, efficient 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.

<u>Service Transformation and Priorities</u>

3.7. The three-year transformation programme – Better Outcomes, Better Lives (BOBL) concluded in December 2023. BOBL was a practice led strengths-based change programme, aimed at enabling people in Manchester to achieve better outcomes with less dependence on formal care. The strategy of the programme has been to focus on preventing, reducing and delaying the point at which someone requires more intensive support, changing how demand is managed. This has required working with people earlier and working in a strengths-based way to provide the right kind of support to maintain or maximise that person's independence.

3.8. Embedding strengths-based practice has been key to the programme, drawing on the right levers to create the conditions for Social Care practitioners to focus on wellbeing and independence, rather than deficits and needs. When assessing for support, practitioners will start with the persons' strengths, the resources within their own networks and local community before exploring what shorter-term support is available that could enable independence. The potential benefits of all of these options will be explored before longer-term support.

3.9. The impact of this strategy has contributed towards managing demand differently, supporting better outcomes and managing costs. Some of the evidence to date from the BOBL workstreams includes:

3.10. The **Early Help** workstream has introduced strengths-based conversations at the Contact Centre and established the Adults Early Support Team (AEST). Improving information to resolve more calls, to reduce demand coming in, and provide more accurate support and care. As a result:

- More calls are being resolved at the Contact Centre, up from 55% in April 2022 to 68% in November 2023, which equates to 1,183 new referrals being resolved at the front door;
- Repeat calls are on a downward trend since February 2023, meaning more people getting the right advice and guidance first time; and
- Fewer inappropriate calls are being sent to Integrated Neighbourhood Teams for social work assessments, meaning there are fewer unallocated cases – from 149 in May 2023 to 96 in November 2023, and a 19% reduction in overdue reviews.

3.11. The **short-term offer** workstream has expanded **Reablement** and Technology-enabled Care (TEC) use. Reablement is non-statutory, time-limited support that helps people re-learn or re-gain skills for independent living, that may have been lost following illness, accident or disability. Successful reablement means people do not need longer term care, or that they need a reduced package of care. BOBL has:

- Invested in expanding Reablement to a service with 296 FTE staff and a budget of £9.5 million in 2023/24. Reablement supported 1,444 people through core the offer in 2023, 51 through the complex Reablement offer and 24 people through Short Term Intervention Team;
- Monthly reporting shows that around two thirds (67%) of those receiving reablement leave with no further care required (62%) or reduced care needs (5%). These numbers fluctuate monthly but have improved in recent years and are above the indicator agreed at the start of BOBL;

- To better understand impacts, we are looking at the cost avoidance from packages of social care that those people would otherwise have needed, and the reductions in demand on hospitals from fewer admissions (on average, 4 less days); and
- Further investment in Reablement will allow expansion to support people with Learning Disabilities and Mental Health, and to provide an offer for all people being discharged from hospital with social care needs.

3.12. **Technology-Enabled Care (TEC)** provides technological devices to help people maintain their independence and remain living in their own homes, alongside improving their personal safety. BOBL has embedded a TEC-first approach in Social Care over time, by developing a smart suite venue that showcases the TEC offer, a Champions Network for staff, a mandatory e-learning package, prototyping of new TEC devices, communications and branding. BOBL has:

- Increased the use of TEC, so 27% of support plans included TEC in 2022, up from 14% in 2021. This includes installation of 112 Just Checking and 32 Just Roaming motion sensors in supported accommodation to date;
- There are examples of lower cost care packages being required than otherwise through the use of TEC but more evidence is needed.
- There is an opportunity to build TEC into more care reviews as well as new packages.

3.13. **Extra Care** is supported accommodation for older people with an onsite care team commissioned by Adult Social Care, with commissioners acting as the gateway to placements and monitoring care and levels of need:

- Manchester had 6 Extra Care Schemes with 232 apartments in 2014. A new growth strategy was developed. By November 2023 there were 12 schemes with 762 apartments. This is one of the highest rates by population in the country (21 per 1000 people), compared to the national average of 12 and the CIPFA comparator areas average of 13.
- A further 3 schemes are already in the pipeline. Recent Housing Needs Analysis shows an estimated 33% increase in Manchester's over 65 population by 2043, with increased prevalence of dementia and related conditions. We are planning for 1,260 Extra Care apartments by this time from around 13 schemes.

3.14. **Unpaid Carer support** is being scaled up, led by Carers Manchester, a partnership of 18 organisations that supports unpaid carers in the city. Carers Manchester works closely with the ASC Carers Team to ensure carers are aware of the offer for carers, information and advice available, and statutory carers assessments. The Carers pathway provides help earlier in a carer's caring journey to help them continue caring (build up resilience) and avoid going into crisis:

- The numbers of Carers registered is increasing, in 2022/23, 1101 'new' unpaid carers were identified and supported: 183 new Carers were registered in November 2023, much higher than the monthly average of 87 in the last year; and

- The number of Carers assessments is also above the better outcome indicators – 151 in November, and higher than the better outcome indicator of 138. There were 2,043 calls to Carers Manchester in past 12 months.

3.15. The Service will continue to have an overarching strategy of achieving the best outcomes, by supporting people to be as independent as possible, and being practice-led about delivering change. Priorities for large-scale transformation are:

(i) **Expanding Early Help and prevention offer** to ensure that people access the right kinds of support at the earliest opportunity. This aligns to the development of an MLCO Prevention Strategy, referenced below. Sequencing to be defined:

- Continued focus developing Adults Early Support Team and front door;
- Ensuring our Reablement offer is accessible to more cohorts including people with a Learning Disability and more complex support;
- Greater therapy input, to support increased independence, particularly for people requiring the support of two people with their movement; and
- Expansion of TEC offer across the MLCO.

(ii) **My Life, My Way and Learning Disability:** My Life, My Way is a substantial 3–5-year redesign programme focused on in-house Supported Accommodation, Day Services, Transport arrangements and Short Breaks for adults with a learning disability and/or autism. The programme seeks 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. The development of a system-wide vision for Learning Disability is currently being scoped.

(iii) **Controcc Programme:** Creating an effective, robust and accurate financial and payments system. Improving the workflow, systems recording and payments process.

(iv) **Preparing for Adulthood Programme:** Strengthening the transition from Children's into Adults Services

(v) **Transforming Safeguarding:** into a system that supports people in a timely manner, so that people feel safe and secure where they live and that Safeguarding is personalised.

(vi) **Working with GMMH** to support their improvement journey into becoming a safe, effective and innovative offer;

3.16. In addition to the above, working with the VCSE remains critical to unlocking prevention in our communities. A recent example from Home from Hospital – a targeted, low cost, intervention to support mostly older people leaving hospital and requiring no adult social care intervention. Demonstrates the creativity of solution-finding evidenced by three VCSE providers, working across the three main Acute Trusts, means that people leaving hospital receive a high quality, supportive and practical offer focused on preventing readmission and improving people's health and wellbeing at a difficult time.

Wider Integration Priorities

3.17. Alongside ensuring our community health and adult social care services achieve operational, financial, quality and safety standards and metrics, the MLCO operates at the interface between acute, primary care, mental health and wider public services. Providing joined up health, care and wellbeing services to the residents of Manchester. To ensure the MLCO continues to deliver services at a high standard, but that our operating model continues to evolve the priorities are to:

(i) Consolidate and further develop the community health and care operating model - 'We Are Community' - to focus on prevention and anticipatory care approaches that support people to remain at home

- Home First - Mobilise Hospital at Home and Single Point of Access;
- Design and embed a core Community Health service offer to include community beds and therapies service model across health and social care, supporting care market sustainability;
- Ensure an integrated Learning Disability service model through an aligned commissioning and service plan;
- Embed Population Health Management beyond INTs to citywide and specialist service models, using population health modelling to develop service offers and priorities; and
- Develop an MLCO prevention strategy building on our work to embed technology into our service models, a reablement first approach and our learning from BOBL and the Population Health management work in our Integrated Neighbourhood Teams.

(ii) Continue to ensure the conditions are in place for our staff to deliver excellent services:

- Data, digital infrastructure and developments including options to develop a community EPR, developing ControCC and mobilising a Single Point of Access (SPOA) for Community Health Services;
- Continuing to build on our principles of Freedom to lead through varying methods of staff engagement and putting solutions in place to improve the employee experience, this includes joining up the approaches across community health and ASC; and
- Work through the Manchester Strategic Estates Group to develop a future plan for community estates.

(iii) Leadership role at Manchester system / place level:

- Build on the aligned commissioning model in the MLCO to support the development of an Integrated Commissioning Function for Manchester ICP;
- (with Neighbourhoods Directorate) progress the Manchester Neighbourhood approach – a key MPB priority for 2024/25 – ensuring greater collaboration through the teams around the neighbourhood and documenting the impact they have for residents and our communities;
- Through the North Manchester strategy implementation, pilot key initiatives across community partners to deliver improved health and wellbeing in the North;
- Support the next phase of design and delivery of the Manchester CYP reform programme (Thriving Families) led by the Strategic Director Children and Education Directorate, with an agreed plan for children transitioning to adult community health and social care services; and
- Develop a service strategy for Sickle cell and Thalassemia across MFT building on our understanding of the needs of service users and their families through a bespoke community engagement commission.

Preparation for Inspection under the CQC Assurance Framework

3.18. The Health and Social Care Act 2022 puts the Care Quality Commission's assurance of local authorities on a statutory footing. The new duty on the CQC to assess local authorities' delivery of their adult social care duties under Part 1 of the Care Act 2014 came into effect on 1 April 2023. Linked to this new duty is a power for the Secretary of State to intervene, where, following assessment of the new duty, it is considered that a local authority is failing to meet their duties.

3.19. Manchester has played an active role in shaping the new CQC Assurance Framework with several senior managers and the Executive DASS participating in Peer Reviews of other local authorities to aid learning to bring into our own assurance inspection preparations. Members will be aware that Manchester was one of the two pilot sites to 'test and learn' with the CQC and received an indicative 'Good' rating, which is very positive.

3.20. A self-assessment is underway on the suite of quality statements to identify strengths and weaknesses which will inform an improvement plan in due course to ensure that robust plans are in place on areas for development.

4. Service budget and proposed changes

4.1. The gross 2023/24 budget detailed in the table below is £285.023m and the net budget of £219.666m. Income of £65.357m includes client fees £30.416m, Better Care Fund Grant £17.791m, contributions from NHS partners of £10.267m and other income of £6.883m 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 One: Base budget 2023/24

4.2. The start budget for 2023/24 was £211.947m with key changes to the budget in year being the addition of the Market Sustainability and Improvement Fund (MSIF) workforce grant of £4.055m and pay award allocation of £4.347m. The budget was also reduced by a pensions budget adjustment of £-0.602m and Directorate transfers and other adjustments of £-0.081m.

Service Area	2023/24 Gross budget £'000	2023/24 Net Budget £'000	2023/24 Budgeted posts (FTE) £'000
Long Term Care:			
Older People/Physical Disability	83,040	50,957	-
Learning Disability	64,897	59,391	-
Mental Health	31,562	25,675	-
Disability Supported Accommodation Service	24,200	20,896	462.50
Investment funding	6,073	6,073	-
Sub Total	**209,773**	**162,993**	**462.50**
Short Term Care:			
Reablement/Short Term Intervention Team	11,929	9,782	316.62
Short Breaks/Respite/Day Centres/Neighbourhood Apartments	5,989	5,684	132.46
Equipment & Adaptations (inc TEC)	8,371	6,082	174.42
Carers/Voluntary Sector	3,962	3,500	-
Sub Total	**30,251**	**25,049**	**623.50**
Infrastructure and Back Office:			
Social Work Teams	23,083	18,558	360.85
Safeguarding/Emergency Duty	4,045	3,037	67.00
Brokerage/Care Home Teams	2,011	1,853	-
Management and support	15,860	8,177	273.70
Sub Total	**44,998**	**31,624**	**701.55**
Total	**285,023**	**219,666**	**1,787.55**

Growth and Pressures 2024-27

4.3. The November 2023 Scrutiny report outlined that:

(i) Growth and pressures of £26.372m were estimated and included in the Medium Term Financial Plan (MTFP) for 2024-26, as part of the 2023/24 budget approvals process. These are detailed in **Appendix 2** together with an additional £5.936m of base assumptions for 2026/27. Together the current MTFP includes £32.308m of funding of which

£6.074m relates to the transfer of grant funding in accordance with the statutory conditions, the MSIF original allocation (£3.105m) and the Adult Discharge fund (£2.969m), with the balance of £26.234m Council funding for demographics and towards the care fee uplift, including use of the proposed ASC precept.

(ii) Further pressures were detailed in the November report including:

- A £9m pressure into 2024/25 arising from the 2023/24 financial forecast position (as at August 2023), which was fully mitigated through a combination of additional resources and specific service initiatives detailed (and now presented in this report in the savings section below);
- Additional demographics in 2024/25 of £3.735m including £2m for transition of children to adult support, with increases of £1.064m in 2025/26 and £0.764m in 2026/27 to set the demographics budget to £4m in each year;
- Additional funding towards the cost of care uplifts of £3.500m in 2024/25;
- Mainstreaming the cost of new care models £1.300m from 2026/27; and
- An expected £1.779m reduction in the 2024/25 MSIF workforce grant from £4.055m to £2.276m (the provisional settlement was slightly better at £2.316m).

The above representing an additional £8.584m, bringing the total investment 2024-27 to £40.892m **(also detailed at Appendix 2)**.

4.4. The recurrent underlying position for 2024/25 has become significantly more challenging over the last five months notably:

(i) A 15.2% increase in commissioned homecare hours in the year to December 2023 from 32,592 hours per week to 37,548 hours per week, following a previous 14.8% increase over 2022/23;

(ii) Older people and people with physical disabilities in residential and nursing care as at December were 32 above the start of year, from 816 people to 848 people (excluding self-funders) and there are increased one to one support costs, assessed need top up and price pressure above framework rates;

(iii) People with mental health needs or a learning disability in supported accommodation (including in-house provision) has increased by a net 31 as at December, from 817 people to 848 people with significant additional cost of new starters in provision against those that have left provision, reflecting an overall increase in complexity of need;

(iv) The In-house supported accommodation service is supporting more clients and higher level of complexity; and

(v) The long term care budget included £5.5m of demand management savings with progress being made on £4m of this relating to older people and learning disability initiatives such as discharge to assess and reviews, but outweighed significantly by incoming demand pressures outlined above on residential, nursing, supported accommodation and homecare, and challenges delivering the £1.5m element relating to mental health social work.

4.5. Whilst the budget challenges outlined are significant, it is important to set in the context of the demand management BOBL work programme outlined earlier in the report and in particular, progress and outcomes delivered through: early help, reablement, TEC, support to carers, extracare and strength based practice. Due to cost effective management of demand, Manchester's social care financial pressures are less than many comparable authorities. Further commentary on the national comparative position is outlined in the cover report from the Deputy Chief Executive and City Treasurer.

4.6. The full year cost into 2024/25 of clients in long term care as at November is assessed at £20.812m above the existing budget. In addition, it is prudent to provide £1.5m for further growth in homecare to the end of the financial year. Furthermore, in relation to the increases outline in the November report, set out in 4.3 (ii) above, the £2m for transition of children to adult support and been increased to £3m and 2024/25 demographics increased by £1.295m

4.7. To complete the update on budget pressures, an investment requirement for capacity supporting mental health practice of £1m is included, £0.5m for commissioning, contacting and system hub capacity and the approved savings programme covering the provider review (detailed later in the report) has been reduced by £1m. Overall there are £27.107m of additional budget pressures **(Appendix 2)**. Substantial work has been completed to mitigate these pressures, with a plan of £19.8m set out below but which leaves a residual additional budget requirement of £6.807m from the position reported at November and this has been included in the proposed update to the medium term financial plan, with £0.807m to met from additional social care grant per the provisional settlement and the balance further cash limit growth. The financial plan has also been updated with the £0.040m change in the provisional settlement for MSIF.

4.8. The proposals outlined in the report bring the total gross investment into Adult Social Care spending to £68m over 2024-27. All funding in relation to the care cost uplift is held centrally within the ASC budget and allocated into service lines once commissioned packages are updated.

4.9. In addition, provision has been made for inflationary price increases and potential pay awards. This is held corporately and will be allocated to service budgets when the details are available.

Savings Plan 2024-27

4.10. Savings of £4.4m were approved for 2024-26 and are detailed in **Appendix 1**. The November report outlined the focus that was underway to look at the Provider Services, the 'My Life My Way' programme. Accommodation in Manchester for citizens with learning disabilities and/or autism is in extremely short supply. My Life My Way programme's property needs will require significant capital investment over a 3–5-year period to support the delivery of activity and revenue savings. The planned approach to and delivery of the 2024/25 savings has been reduced by £1m and is summarised in the table below. Future years savings remain unchanged and will be reconsidered within the 2025/26 process.

Amendments to Approved Savings Programme

Item	Update	Plan 2024/25 £'000	Revised 2024/25 £000
Day services	Priority area for 2024 will be DSAS and the approach to day services will be reconsidered within 2024 for the 2025/26 budget	500	0
Short breaks	Priority area for 2024 will be DSAS and the approach to short breaks will be reconsidered within 2024 for the 2025/26 budget	250	0
Transport	Reduced opportunity	150	75
Disability Supported Accommodation Service (DSAS)	Increased opportunity from Reablement, TEC and therapy to improve independence. Also step down opportunities	750	900
Extra care	No change	50	50
LD Joint funding	Further time needed for integrated joint commissioning with ICB to mature	500	175
Total		**2,200**	**1,200**

4.11. The additional mitigation plan presented in November, which totalled £8.7m has been further developed and increased to £19.8m. The plan has two components, £13.4m of additional funding and reallocated budgets which is secure and £6.4m of service actions which will be added to the approved savings programme and which include a level of risk. There are however no consultation requirements arising.

4.12. The £13.4m of additional funding and repurposed budget covers:

(i) Use of grants and the better care fund allocation £2.6m;
(ii) Expected growth in client contributions £2.5m, in line with the growth in client numbers and the increased care fees. A proportion of the

additional costs will attract a contribution from clients who are assessed as being able to contribute to their costs of their care;
(iii) Use of demographics budget allocation £4m;
(iv) A specific price inflation allocation £2m; and
(v) Release of pre 2023/24 budget held for backdated care cost uplifts £2.3m on the basis all material liabilities have now been addressed.

4.13. To respond to the significant pressures outlined above, £6.4m of service actions have been identified, which form a new savings programme (further detailed at **Appendix 1**), covering:

(i) New business rules have been introduced by practice to more effectively manage one-to-one support in care homes (£0.3m) and ensure on-going support is reviewed regularly;

(ii) To secure supply, the Council is having to pay above framework rates. The 2024/25 uplift to care fees (funded separately) is expected to significantly negate the current £1.2m spend on top ups to fee rates;

(iii) Vacancy factor (VF) – whilst a recurrent increase in VF above the current 6% is higher risk, given turnover is currently running at 10% and there are substantial vacancies, it is considered a non-recurrent increase (£1.1m) in 2024/25 is reasonable and that the rate is reviewed as part of the 2025/26 budget process and the budget updated at that point;

(iv) Additional client income through correction to system configuration allowing accurate billing of care in block contract and extra care arrangements (£0.5m);

(v) Reassessment of the Discharge to Assess budget requirement for 2024/25 £0.5m;

(vi) Work with system partners to deliver an agreed programme of work that minimises discharge from hospital direct to Residential and Nursing care (Pathway 3) and avoids over-prescription of inappropriately large homecare packages (Pathway 1) on discharge (£0.5m);

(vii) Moving and Handling pilot – this is a proven approach from other Council's aimed at reducing the need for double cover in homecare packages (£1.5m), spend on which is in excess of £15m; and

(viii) Other homecare and direct payments initiatives, primarily focused on a robust review programme on hospital discharge pathways and a Reablement first approach (£0.8m).

4.14. The Directorate has also committed to the delivery of an additional workforce savings target from reducing a number of long term vacant posts in the establishment by £0.255m for 2024/25.

Government Grants and Other Investment Funding 2024-27

4.15. The specific funding for ASC is detailed in the table below with supporting commentary detailed.

	2024/25 £'000
Market Sustainability Improvement Fund	11,664
Adult Discharge Fund	7,420

(i) Market Sustainability Improvement Fund
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 and workforce pressures. Manchester received a core allocation of £6.243m in 2023/24 rising to £9.348m in 2024/25. The supplemental MSIF Workforce fund is £4.055m in 2023/24 and £2.316m 2024/25. The total allocation in 2024/25 is therefore £11.664m. There are no funding announcements beyond 2024/25. All MSIF funding in 2024/25 will be incorporated into the funding envelope for the care fee uplift.

(ii) Adult Discharge Fund
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 broadly the same amount to also put into BCF plans. The additional resource will be used to sustain funding for social worker capacity supporting the hospital discharge programme, the uplifted cost of D2A beds for 2024/25, with a balance of just over £1m available for further short term offer investments with areas under consideration covering next phase of reablement expansion, the TEC offer and support to Carers.

(iii) Social Care Grant
The Social Care Grant has been set at £60.218m, £0.807m higher than anticipated and is ringfenced for adults and children's social care. This grant isn't passported in the same way as the above but the funding is directly supporting the cash limit allocation and the growth outlined over 2024-27.

(iv) Better Care Fund (BCF)
The BCF will continue in 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 c£1m. The Improved Better Care Fund will remain at 2023/24 levels at £31.7m. The increase in BCF will be used to fund investment in the Control Room establishment, commissioning capacity and in part, the recurrent impact of the 2023/24 budget pressures on 2024/25.

Customer and Client Income 2024-27

4.16. The 2023/24 budget for client charges is £30.416m and this includes income from both assessed charges under the national framework and specific non assessed charges for services such as community alarms and transport provision. There is a clear connection between the increase in care costs and income from client contributions. The 2024/25 budget includes income growth of £3.3m rising by £1m in 2025/26 and 2026/27. The increase in 2024/25 reflects both a budget reset to reflect the forecast outturn 2023/24 and the trend over recent years. Growth in income is partially included in the funding envelope for the care uplift but also to support budget pressures within the long term care budget detailed above.

4.17. A summary of the key budget movements is shown in the table below.

		2024/25	**2025/26**	**2026/27**
		£'000	**£'000**	**£'000**
Cash limit	**Para**	**219,666**	**247,439**	**255,250**
Growth				
Demography	4.3 (i)	2,636	2,936	3,236
Demography - Additional	4.3 (ii)	1,735	1,064	764
Demography - Transitions	4.3 (ii)	2,000		
Additional Long Term Care Pressures and Homecare	4.6	22,312		
Transitions and Demographics	4.6	2,295		
Mental Health investment	4.7	1,000		
Commissioning and contracting capacity and system hub	4.7	500		
Less: additional funding and repurposed budget mitigation plan	4.12	-13,400		
Grants				
ADF for new investments	4.3 (i)	2,969		
MSIF	4.3 (i)	3,105		
MSIF Workforce - Reduction	4.3 (ii)	-1,739		
Care Costs				
Price	4.3 (i)	458	2,011	
ASC Precept passthrough	4.3 (i)	2,274		

		2024/25	2025/26	2026/27
Real Living Wage	4.3 (i)	5,983	4,000	4,000
Fair Cost of Care	4.3 (ii)	3,500		
Saving Programme				
Savings	4.10	-2,200	-2,200	
Amendment to existing programme	4.10	1,000		
New saving programme	4.13	-6,400		
Additional Vacancy Factor	4.14	-255		
		247,439	**255,250**	**263,250**

4.18. **Appendix 3** provides an overview of the forecast medium-term budgets by service. **Appendix 4** provides an objective analysis of the 2023/24 budget to also set out the key areas of income. **Appendix 5** provides a further analysis of the make-up of the income budget.

4.19. Whilst there is additional investment proposed for the ASC budgets they remain under considerable pressure and the fragility of the social care market, the increased demands for mental health services in particular remain key risks.

5. Commissioning and procurement priorities

5.1 There is heightened work underway across Commissioning, Contracts and Market Development in response to the fragility of the current care market. The overarching framework for how commissioning is delivered is through the MLCO Commissioning Plan which is intended to act as a key communication tool with providers, partners, wider stakeholders, citizens and the commissioning workforce. This Plan sets out the key principles of how commissioning is intended to be more 'responsive' to the frontline staff as part of the Better Outcomes Better Lives transformation programme, and for staff to highlight where there are perceived gaps in provision. There are 58 actions contained in the Commissioning Plan and 11 key measures of success to ensure that accountability and performance is embedded in practice.

5.2 The fragility of the care market, particularly care homes, is extremely acute this year with a number of care homes failing; this necessitated a Market Oversight Review which has been presented to MLCO Executive and ICB colleagues so that key issues and concerns are well understood. This report highlighted the following key issues:

(i) Providers are experiencing challenges around workforce capacity, recruitment and retention, especially in areas of the city where there is new business growth and more competitive rates of pay. Furthermore, the cost of utilities, particularly in care homes, is now a regularly reported issue that is consuming a higher proportion of fee rates;

(ii) A lack of investment in existing and new infrastructure – some of the care home stock in the city is outdated (typically large Victoria homes) and there is very little activity from new providers coming into the city and seeking newbuild opportunities;

(iii) The city has lost 275 beds since 2021, particularly affecting South Manchester;

(iv) Given the success of Extra Care Housing in diverting many older people with moderate/high care needs away from residential care, the current provision is now almost exclusively being used for complex needs, where citizens are unable to be cared for in their own home or within Extra Care; and

5.2. In response to those market challenges, commissioners are:

(i) Supporting providers with recruitment and retention through arranging Jobs Fairs (Etihad and Wythenshawe Forum) and a further Jobs Fair planned for March 2024;

(ii) Increasing the number of providers who pay the Real Living Wage, to aid recruitment and retention;

(iii) Developing a long-term care home strategy, which will highlight infrastructure challenges and stimulate more growth in provision, encouraging more national providers to come to Manchester;

(iv) Consulting providers and reviewing the framework rates to ensure that providers remain viable during the current national financial challenges;

(v) Providing bespoke support to individual care homes to prevent provider failure; and

(vi) Recruitment to a dedicated Commissioning Manager role to work with the Sector and progress the Care Home Strategy.

5.4 A particular nursing home is a typical example of potential provider failure that has been averted. The home is in administration through a complex shareholder/financial arrangement and have appointed a suitable care provider to run the home whilst the home's future is determined. This is a 68-bedded nursing care which takes citizens with very complex Dementia and Nursing Needs and the city already has a known shortage of nursing care provision. Currently there are 44 beds occupied. Following a lengthy process, and, to protect the capacity of the home, the Council has stepped in short term to support financial viability and avoid a home closure over winter months, whilst a new provider is actively sought. Should the home close, there is very little provision both inside the city and beyond, in GM, to provide the capacity to relocate the residents. At present, the home is meeting a genuine need in the city for Discharge to Assess beds (D2A), which is offsetting some of the financial pressures, which is very positive.

5.5 Commissioning is also proactive this year in retendering high value contracts. A number of retenders, all concerned with statutory duties, have already been completed including:

(i) Statutory Healthwatch;

(ii) Support to Unpaid Carers through a new Carer Pathway Support and helpline for Carers (via Carers Manchester Contact Point);

(iii) Independent Advocacy.

In addition, significant retendering work is focused on two main areas for 2023/24 including:

(i) Reprocurement of Learning Disability and Mental Health Supported Accommodation (value circa £33m) - scheduled to be advertised Spring 2024; and

(ii) Reprocurement of Homecare (value £26m) which is now advertised on The Chest procurement portal from late December, with an implementation date of Summer 2024

5.6 Further significant work in Mental Health is supporting the Executive DASS with the delivery of GMMH's transformation programme, ensuring that citizens with mental health needs receive timely Care Act Assessments and suitable placements are identified that meet those needs. This will be monitored as part of the s75 agreement which is actively being progressed.

5.7 The Control Room and Brokerage Team is now developing as a Centre of Excellence for both discharge from hospital and the sourcing of placements of Care Homes and Homes, offering a centralised approach and reducing workload of Social Workers. Due to the success of this model, the Brokerage Team has now been expanded to include Mental Health and Learning Disability Placements.

5.8 In summary, the care market remains fragile, however, the Market Sustainability and Investment Fund (MSIF) issued to providers, and continued work to sustain the quality of provision (Manchester now 2nd highest in GM for care homes rated Good or Excellent (91%)) and engagement with providers means that the situation in Manchester is less acute than our comparators at GM/Core Cities. Commissioners will continue to take a pro-active approach to safeguard provision and ensure best value/use of resources where possible.

6. Workforce Implications

6.1. Going into 2023/24 Adult Social Care had received significant investment to deploy within the establishment to support demand and develop capacity in key areas. Discussions have taken place with Senior Managers to look at developing new types of roles where required, as well as the ability to trial approaches across services, such as the Moving and Handling Optimisation Prototype and the Adults Early Support Team. To date, 89% of the roles funded by investment have been established and 57% of the overall investment roles are now filled. Some of the new posts have provided opportunities for internal progression.

6.2. The recruitment and retention strategy has continued to drive good outcomes in priority areas including Reablement, Social Work and Disability Supported Accommodation (DSAS). The new posts funded by investment monies have further added to our vacancy figure, however progress is being made, with 76 new starters in Quarter 3. It is worth noting that overall recruitment progress to some roles, for example Occupational Therapists, remains challenging due to the competitive and limited labour market.

6.3. The continued national challenges in filling posts within the care sector also means that the council is working hard to ensure 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 external care market given wider recruitment and retention challenges affecting adult social care and the impact on sustainable delivery in the system.

6.4. The anticipated further development of the GM Care Academy over the coming year will support the brand for social care careers through an enhanced range of development options and career pathways. This will be supported further by the Department of Health and Social Care work on developing a new care workforce pathway from entry level for Adult Social Care to help professionalise and promote the image of social care roles as a career.

6.5. The identified savings proposals as currently identified will have a limited impact on workforce, with savings to come from the review of services as opposed to deletion of a significant number of vacancies.

6.6. Previously, vacant roles were held in two main service areas that were under review - Day Services and the DSAS (covered by agency in the interim). Recruitment into these services is now underway, as there is sufficient scope to make any required changes to roles through vacancies that become available through normal anticipated turnover. Within DSAS, significant recruitment has taken place in 2023 with an incredible response and 103 posts filled. Quarter 3 within DSAS will focus on a strong induction into the service for the new starters (further recruitment is now being progressed at the end of Quarter 3).

6.7. 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.

6.8. Adults (overall) turnover has also been a key focus and has improved over this time period from 10.6% in Sept 2022, with the latest figures from Nov 2023 showing a reduction to 7.4%.

6.9. It is currently proposed that we again increase the vacancy factor within ASC in the coming year. Through this approach we are releasing finances by recognising that a large number of our roles are vacant across the period and therefore do not require their full allocation of funding. A review of these vacancy levels has led to a proposal for an increase in the vacancy factor to 7.4%. The factor would be reviewed again in 2025/26 to reflect the updated recruitment position at that time. This proposal may need to be reviewed as part of an on going review of current vacancies and potential to delete a number of roles that do not have a clear future plan for recruitment in support of imperative service delivery.

7. Equality and Anti-Poverty Impact

7.1. 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.

7.2. 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. This will be informed by greater emphasis on Equality Impact Assessments (EqIAs), working with the Corporate Equalities Team, on emerging new approaches.

7.3 The anti-poverty strategy '[Making Manchester Fairer]' will strongly influence the work in ASC by ensuring there is a heightened focus on more marginalised communities and those with protected characteristics. The Carers Emergency Fund, for example, is one way of supporting unpaid carers to receive emergency help at a time of genuine crisis with small cash grants, white goods etc. to carry on caring.

8. Future opportunities, Risks and Policy/Strategy Considerations

8.1 Adult Social Care in Manchester continues to deliver services supporting citizens to remain independent and where appropriate, access care placements in the most appropriate setting. The national health and social care landscape is regularly subject to media attention with concerns focused on sustainability. This is coupled with very significant and complicated change programmes outside of business as usual and as a result, there are many risks that are being managed, some of the most significant include:

(i) The overall funding position for the Council and Government messaging about likely future settlements for Local Government. Coupled with short term in-year allocations of social care funding with insufficient planning time and ambiguity on intent with regards to the funding reforms;

(ii) The pressures in the care market, detailed in the commissioning section above;

(iii) Despite the progress made to reduce demand pressures through transformation and prevention programmes, there are still significant demand pressures in terms of numbers of people requiring care and their acuity of need;

(iv) The specific complexity of change programmes such as the Provider review and retender programme;

(v) Progress on integration within the wider Health and Social Care system remains constrained by financial pressures affecting NHS partners and statutory and organisational matters;

(vi) The specific service delivery arrangements for Mental Health through GMMH. The refresh of Mental Health Section 75 Partnership Agreement with GMMH has resulted in the mobilisation of several improvement workstreams. Within this activity is the need to review the FTE establishment delivering delegated Care Act functions and duties. The outcome of this rebasing exercise may result in additional financial cost to the City Council if further resources are required.

8.2. These and other issues are creating very significant challenges in the 2024/25, 2025/26 and future financial years. Areas for action to address these issues include:

(i) Continued substantial investment in the short-term offer including an increased and wider reablement offer covering mental health, TEC, support for carers etc. This will build on the BOBL programme focusing on prevent, reduce, delay and strengths based ways of working, which has helped Manchester to avoid the most significant increases in demand affecting other Local Authorities;

(ii) Reducing the number of out of city and crisis placements, linked to the Provider review, working closely on market shaping with Manchester Providers and strengthening arrangements to prevent instances of crisis occurring;

(iii) Working with NHS partners on a joint programme of work to reduce discharge from hospital into high cost Residential, Nursing and Homecare packages where these involve over-prescription and care needs can be met through alternative packages of care. This includes strengthening the role of social workers in determining care packages on discharge from hospital, expansion of Reablement, Discharge to Assess reviews, building on the Hospital at Home work, the moving and handling pilot, and reducing double cover arrangements when appropriate;

(iv) Review of Manchester care policies and procedures, within the Care Act assessment process to ensure that the funding available is sufficient to meet the needs of the entire local population;

(v) Review the application of discretionary charges while limiting the impact of any changes on Manchester citizens; and

(vi) Development of best practice in order to meet the exacting areas of the CQC Assurance Framework and to ensure a satisfactory rating outcome.

8.3. There had been ongoing delays with Liberty Protection Safeguards (LPS) that were inextricably linked to Advocacy provision; the government has now announced that the LPS will no longer be implemented in this parliament; however, the provider has worked closely to prevent this causing major disruption.

Appendix 1 – Savings Schedule (Part 1 Update to Existing Programme)

Service	Description of Saving	Type of Saving	RAG Impact	Amount of Saving				Indicative FTE Impact
				2024/25 £'000	2025/26 £'000	2026/27 £'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		100		**100**	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		100		**100**	TBC

Service	Description of Saving	Type of Saving	RAG Impact	Amount of Saving				Indicative FTE Impact
				2024/25	2025/26	2026/27	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	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 and aligned to the other proposals surrounding day services.	75			**75**	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.	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	900	1,250		**2,150**	TBC

Service	Description of Saving	Type of Saving	RAG Impact	Amount of Saving				Indicative FTE Impact
				2024/25 £'000	2025/26 £'000	2026/27 £'000	Total £'000	
			perspective and associated and capital investment.					
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 wellbeing charge of £5-10 per person per week	Income Generation	Impact on most vulnerable during cost of living crisis	50			**50**	None
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	Efficiency	Prevent, reduce, delay through Better Outcomes, Better Lives remains the underpinning approach so					

Service	Description of Saving	Type of Saving	RAG Impact	Amount of Saving				Indicative FTE Impact
				2024/25	2025/26	2026/27	Total	
				£'000	£'000	£'000	£'000	
	£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		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
<u>Other</u>								

Service	Description of Saving	Type of Saving	RAG Impact	Amount of Saving				Indicative FTE Impact
				2024/25	2025/26	2026/27	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	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	175	750		**925**	None
Total				**1,200**	**2,200**		**3,400**	

Appendix 1 – Savings Schedule (Part 2 - New Programme)

Service	Description of Saving	Type of Saving	RAG Impact	Amount of Saving				Indicative FTE Impact
				2024/25	2025/26	2026/27	Total	
				£'000	£'000	£'000	£'000	
Homecare	Moving and Handling intervention to reduce double cover	Efficiency	Care needs are met in the most effective way	1,500			**1,500**	Nil
Homecare/ Direct Payments	Reviews aimed at ensuring people have appropriate levels of care without over prescription and a Reablement First approach	Efficiency	Care needs are met in the most effective way. Supports independence	800			**800**	Nil
Residential	One to One Control – updated business rules. Implemented and working well	Efficiency	Ensures additional support is appropriate and time limited unless care needs require such	300			**300**	Nil
Residential	Assessed Need Top Up – price pressure in 2023/24 will be addressed through the increase in framework rates in April 2024	Efficiency	None	1,200			**1,200**	Nil
Residential	Client numbers and D2A Pathway – Health and Social Care system requirement to ensure a sustainable social care component	Efficiency	None – ensuring hospital discharges are made on the most appropriate pathway and people eligible for social care have there needs properly assessed and met	1,000			**1,000**	Nil
Establishment	Vacancy factor - reflects current vacancy and turnover position. Non recurrent 2024/25	Efficiency	Recruitment difficulties reduce critical capacity	1,100			**1,100**	Nil
Income	Billing of client contributions for care in block contract and extra care arrangements	Income Generation	None, all charges are in line with current policy	500			**500**	Nil
Total				**6,400**			**6,400**	**Nil**

Service	Description of Saving	Type of Saving	RAG Impact	Amount of Saving				Indicative FTE Impact
				2024/25	2025/26	2026/27	Total	
				£'000	£'000	£'000	£'000	
Establishment	**Vacancy Target**			**255**			**255**	**TBC**

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Appendix 2 - Pressures / Growth Schedule

Service	Para	Description of Pressure	2024/25	2025/26	2026/27	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	2,636	2,936	3,236	**8,808**
Long term care		Care sector fee uplift inclusive of Real Living Wage	5,983	4,000	4,000	**13,983**
Long term care		Market Sustainability Fund	3,105			**3,105**
Long term care		Adult Discharge Fund	2,969			**2,969**
Long term care		Additional price inflation towards care fees uplift	458	2,011	0	**2,469**
Long term care		Social Care Precept	2,274			**2,274**
Short term care		Removal of time limited investment in new care models			-1,300	**-1,300**
Sub-total	**4.3 (i)**	**Current MTFP**	**17,425**	**8,947**	**5,936**	**32,308**
Long term care – Demographics		Additional demographics – update to DAS model	1,735	1,064	764	**3,563**
Long term care – Demographics		Additional demographics - Transitions	2,000			**2,000**
Long term care		Additional price inflation towards care fees uplift	3,500			**3,500**
Long term care		Reduction in Market sustainability grant (£4.055m to £2.276m)	-1,779			**-1,779**
Short term care		Mainstream investment in new care models			1,300	**1,300**
Sub-total			**5,456**	**1,064**	**2,064**	**8,584**
Total	**4.3 (ii)**	**Position as at November Scrutiny Report**	**22,881**	**10,011**	**8,000**	**40,892**

<u>**Appendix 2 - Pressures / Growth Schedule**</u>

Service	Para	Description of Pressure	2024/25	2025/26	2026/27	Total
			£'000	**£'000**	**£'000**	**£'000**
Long term care	4.6	Residential care	6,171			6,171
Long term care	4.6	Nursing care	3,406			3,406
Long term care	4.6	Homecare (including £1.5m for growth to 31/3/24)	6,662			6,662
Long term care	4.6	Supported Accommodation provision (including in-house)	5,808			5,808
Long term care	4.6	Direct Payments / Personal Budgets	265			265
			22,312			**22,312**
Long term care	4.6	Increase in Transitions budget from £2m to £3m	1,000			1,000
Long term care	4.6	Additional demographics allocation	1,295			1,295
Infrastructure	4.7	Investment in Mental Health	1,000			1,000
Infrastructure	4.7	Commissioning, Contracting and System Hub	500			500
Long term care	4.7	Amendment to savings programme	1,000			1,000
			27,107			**27,107**
Total			**49,988**	**10,011**	**8,000**	**67,999**
	4.12	Application of funding detailed in the report	(13,400)			(13,400)
Total		**Net pressures**	**36,588**	**10,011**	**8,000**	**54,599**

Appendix 3: Indicative Medium term budgets by service

Service Area	2023/2024 Budget £'000	2024/2025 Indicative Budget £'000	2025/2026 Indicative Budget £'000	2026/2027 Indicative Budget £'000
Long Term Care:				
Older People/Physical Disability	50,957	56,132	55,896	55,660
Learning Disability	59,391	65,772	64,831	64,741
Mental Health	25,675	28,646	27,972	27,299
Disability Supported Accommodation Service	20,896	22,896	21,646	21,646
Investment funding	6,073	18,645	29,656	38,656
Sub Total	**162,993**	**192,091**	**200,002**	**208,002**
Short Term Care:				
Reablement/Short Term Intervention Team	9,782	9,575	9,575	9,575
Short Breaks/Respite/Day Centres/Neighbourhood Apartments	5,684	5,505	5,405	5,405
Equipment & Adaptations (inc TEC)	6,082	6,047	6,047	6,047
Carers/Voluntary Sector	3,500	3,504	3,504	3,504
Sub Total	**25,049**	**24,630**	**24,530**	**24,530**
Infrastructure and Back Office:				
Social Work Teams	18,558	18,272	18,272	18,272
Safeguarding/Emergency Duty	3,037	2,967	2,967	2,967
Brokerage/Care Home Teams	1,853	1,787	1,787	1,787
Management and support	8,177	7,691	7,691	7,691
Sub Total	**31,624**	**30,717**	**30,717**	**30,717**
Total	**219,666**	**247,439**	**255,250**	**263,250**

Appendix 4: Indicative Medium term budgets by type of spend / income

Adult Social Care	2023/2024 Budget £'000	2024/2025 Indicative Budget £'000	2025/2026 Indicative Budget £'000	2026/2027 Indicative Budget £'000
Expenditure:				
Employees	76,097	75,496	75,496	75,496
Running Expenses	208,926	239,476	247,762	257,762
Capital Financing Costs	-	-	-	-
Contribution to reserves	-	-	-	-
Sub Total Subjective Expenditure	**285,023**	**314,972**	**323,258**	**333,258**
Less:				
Other Internal sales	-	-	-	-
Gross Expenditure	**285,023**	**314,972**	**323,258**	**333,258**
Income:				
Government Grants	- 382	- 382	- 382	- 382
Contributions from Reserves	- 5,705	- 2,275	-	-
Other Grants Reimbursements and Contributions	- 28,844	- 28,844	- 28,844	- 28,844
Customer and Client Receipts	- 30,416	- 33,716	- 34,716	- 35,716
Other Income	- 11	- 2,317	- 4,067	- 5,067
Gross Income	**- 65,357**	**- 67,533**	**- 68,008**	**- 70,008**
Total Net Budget	**219,666**	**247,439**	**255,250**	**263,250**

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Appendix 5: Indicative Medium term budgets analysis of gross budget and income blocks

Service Area	2024/2025 Indicative Gross Budget £'000	Client Fees £'000	Better Care Fund (BCF) £'000	Health Income £'000	Other Income £'000	2024/2025 Indicative Net Budget £'000
Long Term Care:						
Older People/Physical Disability	89,985	- 20,676	- 10,066	- 3,111	-	56,132
Learning Disability	71,753	- 3,635	- 680	- 1,447	- 218	65,772
Mental Health	36,755	- 6,826	- 682	- 590	- 12	28,646
Disability Supported Accommodation Service	25,739	- 2,041	- 334	- 449	- 19	22,896
Investment funding	16,687	-	-	-	-	16,687
Sub Total	**240,918**	**- 33,178**	**- 11,761**	**- 5,597**	**- 249**	**190,133**
Short Term Care:						
Reablement/Short Term Intervention Team	11,738	- 45	- 1,897	- 221	-	9,575
Short Breaks/Respite/Day Centres/Neighbourhood Apartments	5,809	- 138	-	- 167	-	5,505
Equipment & Adaptations (inc TEC)	8,372	- 609	- 665	- 1,051	-	6,047
Carers/Voluntary Sector	3,966	-	- 381	- 81	0	3,504
Sub Total	**29,885**	**- 792**	**- 2,942**	**- 1,520**	**0**	**24,630**
Infrastructure and Back Office:						
Social Work Teams	22,797	-	- 2,149	- 2,376	- 0	18,272
Safeguarding/Emergency Duty	3,826	-	- 525	- 119	- 215	2,967
Brokerage/Care Home Teams	1,946	- 51	- 107	-	-	1,787
Management and support	13,641	- 244	- 1,387	- 1,330	- 2,989	7,691
Investment Plan	1,958	-	-	-	-	1,958
Sub Total	**44,168**	**- 296**	**- 4,168**	**- 3,825**	**- 3,204**	**32,676**
Total	**314,972**	**- 34,266**	**- 18,872**	**- 10,942**	**- 3,453**	**247,439**

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Manchester City Council
Report for Information

Report to: Executive – 14 February 2024

Subject: Neighbourhoods Directorate Budget 2024/25

Report of: Strategic Director - Neighbourhood Services

Summary

Local Government is under profound financial pressure, largely due to externally driven cost and demand pressures at a national level particularly affecting Adults Services, Children's Services and Homelessness. It is in this context that the Council must set a balanced budget.

Following the provisional finance settlement announced 18 December the Council is forecasting an estimated budget shortfall of £38m in 2024/25, £79m in 2025/26, and £90m by 2026/27. After the application of approved and planned savings, and the use of c.£17m smoothing reserves in each of the three years, the budget is balanced for 2024/25 and the remaining gap reduces to £29m in 2025/26 and £41m by 2026/27. This position assumes that savings of £21.4m will be delivered next year.

This report provides a further update to members on the priorities for the Neighbourhood Services Directorate and details the changes to the initial revenue budget options proposed by officers in November 2023. Each scrutiny committee has been invited to consider the proposed budget changes that are within their remit and to make recommendations to the Executive as part of the budget process.

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
(3) The Executive is recommended to approve these budget proposals.

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	Consideration has been given to how the proposed savings could impact on different

report in meeting our Public Sector Equality Duty and broader equality commitments	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 2024/25 revenue budget set by Council on 1 March 2024.

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.

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

1. Introduction and purpose

1.1 The report sets out the service overview and key priorities along with the latest proposed budgets for the Neighbourhood Services Directorate. The proposed budgets have already been through the relevant scrutiny committee for each service area within the Neighbourhood Directorate. The draft budget contains details of the already approved savings and investments, along with initial thoughts on other areas for consideration and comment as part of the budget process in order to help ensure an overall balanced budget.

This report should be read with the covering budget report to this committee.

2. Service overview and priorities

2.1 Neighbourhood Service Directorate has a wide range of services and employs over 1,916 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.

2.2 The services under the remit of this committee includes the following services:

Community Safety, Compliance and Enforcement

2.3 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.

2.4 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.

Parks, Leisure Events and Youth

2.5 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.

2.6 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.

2.7 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.

Libraries, Galleries and Culture

2.8 Responsible for providing all the city-wide libraries, information and archive services, the Manchester Art Gallery, Platt Hall, Queen's Park Conservation Studio and a range of cultural activities and organisations across the city.

2.9 The service operates the Central Library, 15 neighbourhood libraries and 6 community libraries, HMP Manchester prison library as well as Books to Go service for housebound library users. The Archives Service operates the Greater Manchester County Record Service on behalf of GMCA supporting all ten districts.

2.10 The library strategy and renewal programme has seen 80% of Manchester libraries being refurbished and co-located in recent years. The services have developed the Manchester standard for national, regional and Greater Manchester initiatives, supporting the Universal Public Library Offers which aim to connect communities, improve wellbeing and promote equality through learning, literacy and cultural activity as well as working closely with several city wide and local partners.

- Culture and Creativity
- Health and Wellbeing
- Information and Digital
- Reading

2.11 A new vision for Manchester Libraries was agreed in February 2023 and over the past 12 months three new libraries have been opened across the city and a number of refurbishments have been completed or about to commence.

2.12 The service has been successful in securing external funding and Manchester At Gallery is the lead organisation for Manchester Museums Partnership, which an Arts Council England National Portfolio Organisation with The University of Manchester. This year will see significant capital works commencing across the estate.

Waste and Street Cleansing

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

2.13 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).

Neighbourhood Teams

2.14 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.

Homelessness

2.15 Preventing people from becoming homeless and supporting individuals and families who find themselves homeless, to secure new permanent homes and better outcomes. Considerable work has been undertaken to reduce the number of families in B&B which contrasts with other Local Authorities where Temporary Accommodation numbers overall are increasing to levels not seen previously. This highlights the pressures faced in this area both now and in the coming years.

Priorities:

- Significantly increasing the prevention of homelessness in the first instance.
- Improving the quality-of-service provision for people and families who find themselves homeless
- Reducing rough sleeping
- Reducing the cost of the service by creating more innovative and sustainable housing options in temporary and permanent accommodation
- Delivering better outcomes for families and single people

Housing Services

2.16 Housing Services was previously managed by the Council's arm's 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. These budgets are ringfenced to the Housing Revenue Account (HRA) and are therefore not a cost to the Neighbourhoods mainstream budgets. There is a separate HRA budget report be taken to Resources and Governance Scrutiny Committee 8th February.

Highways

2.17 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, 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 users safe.
- Reducing congestion and supporting business and economic recovery.
- Supporting active travel options of walking and cycling.
- Delivering a programme of highway improvements

2.18 Parking Services directly supports the transport strategy for the city and our operational highway activities with the aim to keep the city's roads moving. Work is ongoing to update the Parking Strategy and undertake a review of parking pricing and of the City's strategic approach to parking in light of the emerging City Centre Movement Strategy.

2.19 Neighbourhood Services Directorate has a gross budget of £262m and a net budget of £139.225m. The Directorate employs 1,916 fte. The 2023/24 base budget and fte numbers for the services within the Neighbourhood Services Directorate are shown below broken down by service area in the table below.

Table One: Base budget 2023/24

Service Area	2023/24 Gross budget £'000	2023 / 24 Net Budget £'000	2023 / 24 Budgeted posts (FTE) £'000
Community Safety	4,817	2,836	50
Leisure, Youth and Events	20,471	7,069	29
Libraries, Galleries and Culture	14,841	10,565	279
Neighbourhood Teams	5,102	4,703	79
Management and Directorate Support	1,340	1,271	27
Other Neighbourhoods	1,469	1,066	3

Homelessness and Asylum	77,183	31,861	422
Housing Services	2,129	0	255
Parking Services and CCTV	8,555	(6,263)	0
Highways	27,463	19,577	246
Parks and Green Spaces	3,877	1,864	63
Compliance	11,521	8,937	220
Waste Disposal Levy	30,632	30,632	0
Grounds Maintenance	4,810	4,372	101
Waste and street cleaning	31,408	27,996	16
Advertising	190	(4,742)	0
Business Units	16,655	(2,519)	126
Total	**262,463**	**139,225**	**1,916**

3 Service budget and proposed changes

Savings Plan 2024-27

3.1 Savings of £3.937m have already been approved for 2024/27 as part of prior year budget approvals and these remain on track to be delivered, however the ability to deliver these savings is being reviewed on an ongoing basis and provision has been made in the budget position to offset £1m of this risk. The table below sets out the already approved savings and further details are set out in Appendix 1.

Description of savings	2024/25 £000's	2025/26 £000's	2026/27 £000's	Total £000's
Parks & Open Spaces	100	0	0	100
Waste & Street Cleansing	0	400	0	400
Homelessness	2,070	1,332	0	3,402
Highways	35	0	0	35
Total Already Approved Savings	**2,205**	**1,732**	**0**	**3,937**

3.2 As part of the 2023/24 budget process savings were identified over a three-year period and it was intended that the 2024/25 budget would be light touch and no further savings would be required. The original plan to deliver the Homelessness savings was based on a reduction in Temporary Accommodation numbers, although significant reductions have been made for the number of families supported in B&B the pressures faced remain significant. Agreement has been reached with DLUHC to review longer term leasing options for Temporary Accommodation units which would allow full housing benefit recovery and ease a significant proportion of the Housing Subsidy loss faced by the service. The first phase of this relates to converting existing tenancies for the 800 temporary accommodation units in Manchester.

3.3 It is a key priority for the Homeless service to minimise out of area temporary accommodation placements given the impact on children's education, health and wider welfare. It is estimated that it will take a number of years to replace properties outside of Manchester with properties in the city. The intention is that the Homeless Service can deliver a better spread of properties across the city.

3.4 In light of the current financial years pressures and ongoing high inflation rates it has been necessary to revisit the initial assumptions and identify further savings options for consideration.

3.5 As part of identifying further savings options the initial priority has been to protect service delivery wherever possible, and this has included looking to increase income generation opportunities where possible.

3.6 Review of our existing workforce structures and capacity and in particular how we budget for staffing costs in light of high levels of turnover and allowing for all posts at top of grade.

3.7 The proposed savings from services within the remit of this scrutiny committee are summarised below and details are set out in the table at Appendix 1.

Cross Cutting Staff Savings

3.8 Historically there have been staffing underspends across all Council Directorates, 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 reduce staffing budgets by £1m across the council, and Neighbourhood Services contribution to this is £198k. This will be achieved by deleting long term vacant posts.

Sales, Fees and Charges

3.9 As part annual budget process all sales, fees and charges have been reviewed to ensure that they are services are fully recovering fees where appropriate, and also to ensure that budgets are uplifted where possible to reflect any realignment of budgets because of increased activity, or any increased income from proposed price increases.

Business Units

3.10 Bereavement services charge for their services which includes, burials, cremations and memorials. The overall income budget is £4.155m. It is proposed to increase this by £406k in 2024/25 and this will be achieved by a combination of reviewing the existing activity levels and applying an uplift to the existing prices. Of the £406k increased income £100k will contribute towards the savings requirements, and the remaining £306k will contribute towards the increased costs within the service due to inflationary increase to costs, including payroll costs.

3.11 The City Council currently operates two large advertising contracts for sites across the city. The annual contract value is subject to annual uplifts in respect of inflationary increases in line with RPI, and work is ongoing to identify further opportunities for new sites. It is proposed to increase the existing advertising income budget by a further £0.602m to reflect the forecast inflationary increase in 2024/25.

3.12 As part of the review it is proposed that some external charges are increased by up to 5% from 1st April, and as part of these increases' additional income of £470k is forecast from across the Neighbourhood Services Directorate and this has been reflected within the overall budget as part of the £1m increased income from sales fees and charges. Details of these changes are set out in the table below:

Income Generating Area	Proposed Increase £000's	Comments
Advertising	152	Annual contractual upift
Compliance	97	Increase fees and charges by 5%
Waste	37	5% inflationary increase applied to bulky waste collections
Highways	184	5% increase for fees and permits
Total	**470**	

3.13 In addition to the above price increases that contribute to wider council savings there are other services that will be increasing prices by up to 5% in order that the additional income can fund increased costs arising from inflationary increases.

Community Safety

3.14 A temporary reduction in the annual £40k contribution to the security measures for the Christmas Markets whilst Albert Square is unavailable, it is proposed that this will be re-introduced once the markets return to Albert Square. An action from November scrutiny was that the Neighbourhoods directorate 2024/25 budget report in February 2024 provides further breakdown of the budget allocated to tackle crime and disorder, this is included in Appendix 5.

Libraries and Galleries

3.15 As part of the original budget proposals reviewed by this Committee In November, Members provided a clear indication that they were not supportive of the book fund budget reduction of £30k to £0.65m per annum. Following this feedback from Members this saving has been removed.

Events Commissioning

3.16 The Manchester Events Strategy was adopted in 2019, this strategy set out a vision 'To Be an Eventful City' with a focus on developing a diverse, balanced and benefits driven events portfolio driven by partnerships. The Events Strategy identified how we would re-purpose our funding to support Events and Festivals, differentiating our investment between events that are aimed principally at supporting community cohesion and animating the city and events aimed at generating significant economic value and profile for the City.

3.17 The Executive considered in October 2023 a report of the Strategic Director (Neighbourhoods), which sought approval for the formation of an Event Commission. The Executive endorsed the intent to form an Event Commission for the City in order to secure major events in Manchester and to bring in contributions from key partners and supported the proposed budget allocation as part of the 2024/25 budget options.

3.18 In line with the recommendations from the Executive, budget approval 2024/25 is to be sought for an annual £2m contribution from the Capital Fund to support the events commission, this will be funded through the growth in retained business rates. The proposed City Council resources will be supplemented by other city partnership funding that will be part of the whole events commission budget and managed by the City Council.

3.19 The proposed annual contribution will provide an ongoing budget for commissioning events and will reduce the need for any in year approvals for one off budget requests when opportunities have arisen. The Council's funding will be alongside funding contributions from other partners which are currently being negotiated. The setting up of the events commission budget will enable

- Provision of event pump-prime funding which will attract wider public and private sector partnership funding – and facilitate access to wider funding sources - leveraging a minimum external investment of £4 for every £1 of funding.
- Opportunities to generate net additional spend/Economic impact benefits through major events - £10 for every £1 invested as a minimum.
- Achieving National and International media reach and profile.
- Generating significant social impact for residents beyond the delivery of the event itself.

<u>Growth and Pressures 2024-27</u>

3.20 £1m of budget has been set aside to support pressures to the Homelessness budget. In the last two months there has been a worrying trend in asylum seekers, the migrant policy and homelessness. This is in line with national trends and Core Cities and other GM authorities are all reporting similar issues. Whilst extremely challenging it is important that a realistic and deliverable budget is set which recognises these additional pressures.

3.21 As part of the budget proposals an initial £0.9m investment into waste and street cleaning is proposed for 2024/25, this will provide £0.4m investment into waste collection and disposal to provide resources to meet increased demographic needs because of increased numbers of dwellings across the City that will require additional collection rounds.

3.22 In addition to the waste collection investment, £400k of investment is proposed for Street Cleaning which recognises the stepped increase in population and footfall whilst providing the ability to deal with hotspots, and £100k to deal with the accumulation of waste on Council land proactive cleansing of land to prevent fly tipping and there is a further £300k in 2026/27.

3.23 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 2024/25, with the increase to Manchester being £1.177m. Further increases of £1.250m have been assumed for 2025/26 and £1.609m for 2026/27, these increases are reflected in the current budget plans for those years.

Off Street Parking

3.24 Whilst the number of off-street car park users has increased post pandemic, it has not returned to pre covid levels and this is largely due to changes in peoples working arrangements and the move to hybrid working. As part of the 2023/24 budget temporary support of £2.1m per annum was approved using reserves. The use of reserves is only temporary for two years and a longer-term parking strategy is being developed that will seek to better align both on street and off-street parking in order to ensure income is maximised.

Traded Services

3.25 The temporary closure of Albert Square as part of the Our Town Hall project means that the Christmas Markets are being delivered from a smaller footprint. An additional £1m of funding is being provided until the town hall reopens to offset the lower rental income that can be realised. This funding will then be used to meet some of the increased operating costs of running the civic estate once the town hall is reopened.

Government Grants 2024-27

Grant	2023/2024 Budget	2024/2025 Indicative Budget	2025/2026 Indicative Budget	2026/2027 Indicative Budget
	£'000	**£'000**	**£'000**	**£'000**
Rough Sleeping Initiative	2,432	2,422	2,422	2,422
Afghan Resettlement Funding	6,133	1,896	1,270	0
Domestic Abuse New Burdens	1,691	1,691	1,691	1,691
AFEO	748	748	748	748
Homelessness Prevention Grant DA New Burdens	165	239	239	239
Homelessness Prevention Grant	3,287	3,450	3,450	3,450
Dispersal Asylum Grant	64	64	64	64
HMP Manchester Library	124	124	124	124
GM Libraries	125	125	125	125
Prevent Staffing	305	305	305	305
Blame Belonging	3	3	3	3
Choices	7	7	7	7
SAVE	3	3	3	3
Prevent Regional Dovetail	395	90	90	90
Vigilant Manchester	20	20	20	20
KIKIT	50	50	50	50
Parents Against Radical	5	5	5	5
Creating Positive Change	5	5	5	5
PFI Grant (street lighting)	2,917	2,917	2,917	2,917
Bikeability Grant	126	126	126	126
Trading Standards (Strangeways)	70	70	70	70
Trading Standards	5	5	5	5
Total	**18,680**	**14,365**	**13,739**	**12,469**

3.26 As can be seen from the table above services receive a wide range of grants and these total £18.7m in the current financial year, the majority of the grants relate to the Homelessness service and the table reflects the forecast reduction in 2024/25 Afghan Resettlement funding based on latest estimates. In November Scrutiny concerns were raised regarding the reduction in funding, however, with the closure of the Bridging Hotels the level of expenditure incurred to support these families will reduce in line with the funding reduction and will not create a pressure on Council budgets.

3.27 **Appendix 2** provides an overview of the forecast medium-term budgets by service. **Appendix 3** provides an objective analysis of the 2023/24 budget to also set out the key areas of income. The forecast grants are listed at **Appendix 4.**

4. Commissioning and procurement priorities

4.1 The Directorate will continue to work with Integrated Commissioning and Procurement colleagues to ensure the procurement pipeline is understood and that work to procure contracts is undertaken in a timely manner.

4.2 Contract sessions with directorate management teams have been established commencing over September 2023 and quarterly thereafter. The aim of these is to support management teams to understand both their current contractual position and contract spend, and to develop an agreed pipeline of future commissions.

4.3 A new Contract Management System is expected to go live during the current financial year. Once operational this will provide Directorates with consistent contract performance information to support contract managers to ensure that contracts deliver against expectations and that opportunities for improvement can be identified and realised more easily.

5. Workforce Implications

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.

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 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.

7. Future opportunities, Risks and policy considerations

7.1 As development continues across the city, this may lead to increased growth pressures for Neighbourhood Services as the number of households grows significantly. There is some funding proposed within the current budget proposals for both waste collection and street cleansing, but the increase demand is likely to also extend to enforcement, parks, leisure and wider neighbourhood working.

7.2. 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

Service	Description of Saving	Type of Saving	RAG Impact	Amount of Saving				Indicative FTE Impact
				2024/25 £'000	2025/26 £'000	2026/27 £'000	Total £'000	
2023/24 Approved Savings								
Homelessness and Asylum	Demand reductions in Emergency and Temporary Accommodation Placements	Service Transformation		2,070	1,332	0	3,402	
Parks and Open Spaces	Increased income	Income Generation		100	0	0	100	
Waste and Street Cleansing	Increased income from charging	Income Generation		0	400	0	400	

Service	Description of Saving	Type of Saving	RAG Impact	Amount of Saving				Indicative FTE Impact
				2024/25 £'000	2025/26 £'000	2026/27 £'000	Total £'000	
Highways	Increased Developer Fee Income	Income Generation		35	0	0	35	
Advertising	Additional Income from new site	Income Generation		100	0	0	1,000	
Bereavements	Increased Income	Income Generation		0	372	0	372	
New 2024/25 Savings								
Community Safety	A temporary reduction in the contribution to the security measures for Christmas whilst Albert Square is	Temporary Reduction to reflect reduced size of markets		40	0	0	40	

Service	Description of Saving	Type of Saving	RAG Impact	Amount of Saving				Indicative FTE Impact
				2024/25 £'000	2025/26 £'000	2026/27 £'000	Total £'000	
	unavailable, it is proposed that this will be re-introduced once the markets return to Albert Square							
Compliance	Increased Income	Income Generation		95	0	0	95	
Pest Control	Increased Income	Income Generation		37	0	0	37	
Highways	Increased income	Income Generation		184	0	0	18	
Advertising Income	Increased Income	Income Generation		352	0	0	352	
Bereavements	Increased Income	Income Generation		100	0	0	100	
Neighbourhoods	Review of vacant posts	Efficiency		198	0	0	198	
Total				**3,311**	**2,104**	**0**	**6,017**	**0**

Appendix 2: Indicative Medium-term budgets by service

Service Area	2023/2024 Budget £'000	2024/2025 Indicative Budget £'000	2025/2026 Indicative Budget £'000	2026/2027 Indicative Budget £'000
Community Safety	2,836	2,796	2,796	2,796
Leisure, Youth and Events	7,069	7,069	7,069	7,069
Libraries, Galleries and Culture	10,565	10,565	10,565	10,565
Neighbourhood Teams	4,703	4,703	4,703	4,703
Management and Directorate Support	1,271	1,171	1,171	1,171
Other Neighbourhoods	1,066	1,066	1,066	1,066
Homelessness and Asylum	31,861	30,744	29,412	29,412
Housing Services	0	0	0	0
Parking Services and CCTV	(6,263)	(6,263)	(4,163)	(4,163)
Highways	19,577	19,333	19,333	19,333
Parks and Green Spaces	1,864	1,764	1,764	1,764
Compliance	8,937	8,842	8,842	8,842
Waste Disposal Levy	30,632	31,809	33,059	34,669
Grounds Maintenance	4,372	4,372	4,372	4,372
Waste and street cleaning	27,996	28,833	29,233	29,933
Advertising	(4,742)	(5,194)	(5,194)	(5,194)
Business Units	(2,519)	(1,619)	(1,991)	(1,991)
Total	**139,225**	**139,991**	**142,037**	**144,346**

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Appendix 3: Indicative Medium-term budgets by type of spend / income

	2023/2024 Budget £'000	2024/2025 Indicative Budget £'000	2025/2026 Indicative Budget £'000	2026/2027 Indicative Budget £'000
Expenditure:				
Employees	83,700	83,432	83,432	83,432
Running Expenses	216,857	215,444	215,136	216,176
Capital Financing Costs	85	85	85	85
Contribution to reserves	5,354	5,354	5,354	5,354
Sub Total Subjective Expenditure	**305,996**	**304,315**	**304,007**	**305,047**
Less:				
Other Internal sales	(43,533)	(43,533)	(43,533)	(43,533)
Gross Expenditure	**262,463**	**260,782**	**260,474**	**261,514**
Income:				
Government Grants	(18,680)	(14,365)	(13,739)	(12,469)
Contributions from Reserves	(15,709)	(17,709)	(17,709)	(17,709)
Other Grants Reimbursements and Contributions	(8,142)	(8,142)	(8,142)	(8,142)
Customer and Client Receipts	(80,363)	(80,231)	(78,503)	(78,503)
Other Income	(344)	(344)	(344)	(344)
Gross Income	**(123,238)**	**(120,791**	**(118,437)**	**(117,167)**
Total Net Budget	**139,225**	**139,991**	**142,037**	**144,347**

Appendix 4 Government Grants

Grant	2023/2024 Budget	2024/2025 Indicative Budget	2025/2026 Indicative Budget	2026/2027 Indicative Budget
	£'000	£'000	£'000	£'000
Rough Sleeping Initiative	2,432	2,422	2,422	2,422
Afghan Resettlement Funding	6,133	1,896	1,270	0
Domestic Abuse New Burdens	1,691	1,691	1,691	1,691
AFEO	748	748	748	748
Homelessness Prevention Grant DA New Burdens	165	239	239	239
Homelessness Prevention Grant	3,287	3,450	3,450	3,450
Dispersal Asylum Grant	64	64	64	64
HMP Manchester Library	124	124	124	124
GM Libraries	125	125	125	125
Prevent Staffing	305	305	305	305
Blame Belonging	3	3	3	3
Choices	7	7	7	7
SAVE	3	3	3	3
Prevent Regional Dovetail	395	90	90	90
Vigilant Manchester	20	20	20	20
KIKIT	50	50	50	50
Parents Against Radical	5	5	5	5
Creating Positive Change	5	5	5	5
PFI Grant (street lighting)	2,917	2,917	2,917	2,917
Bikeability Grant	126	126	126	126
Trading Standards (Strangeways)	70	70	70	70
Trading Standards	5	5	5	5
Total	**18,680**	**14,365**	**13,739**	**12,469**

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Appendix 5 – Breakdown of Community Safety Budgets as requested in November Scrutiny

Community Safety Budget	**2023/24**	**2024/25**	**2025/26**	**2026/27**
Expenditure	**£,000**	**£,000**	**£,000**	**£,000**
Prevent Grant	881	576	576	576
GMCA Comm Safety Partnership	1,100	1,100	1,100	1,100
Violence Against Women & Girls	202	202	202	202
Asbat	1,615	1,615	1,615	1,615
DV&A	330	330	330	330
Comm safety Staffing	496	496	496	496
Pay Award	98	98	98	98
Other Expenditure	95	55	55	55
Total Expenditure	**4,817**	**4,472**	**4,472**	**4,472**
Income				
GMCA Funding	(1,100)	(1,100)	(1,100)	(1,100)
Home Office Prevent Grant	(881)	(576)	(576)	(576)
Total Income	**(1,981)**	**(1,676)**	**(1,676)**	**(1,676)**

Community Safety Budget	**2,836**	**2,796**	**2,796**	**2,796**

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Manchester City Council
Report for Information

Report to:	Economy and Regeneration Scrutiny Committee – 6 February 2024 Executive – 14 February 2024
Subject:	Growth and Development Budget 2024/25
Report of:	Strategic Director (Growth and Development)

Summary

Local Government is under profound financial pressure, largely due to externally driven cost and demand pressures at a national level particularly affecting Adults Services, Children's Services and Homelessness. It is in this context that the Council must set a balanced budget.

Following the provisional finance settlement announced 18 December the Council is forecasting an estimated budget shortfall of £38m in 2024/25, £79m in 2025/26, and £90m by 2026/27. After the application of approved and planned savings, and the use of c.£17m smoothing reserves in each of the three years, the budget is balanced for 2024/25 and the remaining gap reduces to £29m in 2025/26 and £41m by 2026/27. This position assumes that savings of £21.4m will be delivered next year.

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 2023. Each scrutiny committee is invited to consider the proposed budget changes that are within its remit and to make recommendations to the Executive before it agrees to the final budget proposals on 14 February 2024.

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	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.

achieving the zero-carbon target for the city	
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 2024/25 revenue budget set by Council on 1 March 2024.

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.

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

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 provides a further update to the Committee on the proposed 2024/25 budget, including details on the proposed savings and investment proposals based on the latest overall budget position. This update covers the services under the remit of the scrutiny committee.

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, infrastructure and energy 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, Local Area Energy 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 of social housing, 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. There has been some progress on each of the 3 strands below:

Increase affordable housing supply & build more new homes for all residents, outcomes include:

- *1,900 new homes built of which 415 (22%) were affordable homes*
- *1,280 affordable homes under construction and 1,760 with planning permission*
- *236 homes sold under the Right to Buy*

Address inequalities & create neighbourhoods where people want to live

- *129 new affordable homes with 3 or more bedrooms*
- *88 tenants chose to move to a smaller property freeing up a family home*
- *5 new areas designated for Selective Licensing*

Address the sustainability & zero carbon challenges in new and existing housing

- *Over 1,000 homes across the Manchester Housing Providers Partnership improved from Energy Performance Certificate D to C*
- *104 properties retrofitted by the Council's Housing Services*
- *54 new affordable homes built to low/zero carbon standards*

Planning, Building Control & Licensing

2.9. Planning, Building Control and Licensing service works within an everchanging 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. This now includes the new Building and Fire Safety regime under the Building Safety Regulator.

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, and over 2,500 freehold reversionary interests of residential properties across the City. The rent roll from assets held for investment purposes is over £22m p.a. and is an important contributor to the running of wider council services. The majority of this rent roll is stable, but there are areas of pressure from the directly managed commercial and retail estates (eg, Heron House, Royal Mills and Wythenshawe Civic Centre) which are more susceptible to market conditions, including the ongoing cost of living crisis. All of the investment estate is held within the Manchester City Council boundaries.

2.15 The estate is currently managed on a day-to-day basis through an outsourced contract. This contract is due to end in May 2024 and the Council is currently working through the process to insource these arrangements with effect from 13th May 2024. This will provide the Council with a greater level of control and oversight into the performance and management of the estate, and the use of the Council's assets to support wider corporate objectives. It will also provide opportunities to review other existing management arrangements and potentially identify further cost savings in future years.

2.16 Over the last 6 months significant work has been instigated to enhance the level of information and validation of that information across the investment estate, as well as putting in place new protocols in relation to the use of the Council's property management systems. This is an ongoing exercise, but with an ambition to roll it out fully prior to the insourcing, savings through the additional income generation are predicated on the back of these improvements being implemented.

2.17 The service is responsible for dealing with the Council's surplus land, development, and regeneration assets. This includes the sale of assets to generate capital receipts to support the Council's capital investment programme, which supports its growth ambitions and budget. This work involves identifying, preparing, consulting on and undertaking the disposal of the surplus assets.

2.18 The use of the Council's residential development land resource is key to delivering on the updated Housing Strategy, ensuring affordable housing targets are achieved. The volatility in global and national markets can impact on the progress of asset disposals in any one year.

2.19. 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 in Holt Town and the Strangeways area.

2.20. The Strategic Asset Management Plan (SAMP) is now being delivered and the service, alongside colleagues in the Corporate Estates, are implementing the new asset-led approach to the strategic management of the Council's land and property portfolio. The asset review module of SAMP provides transparent governance for decisions relating to the future use of the Council's land and property assets, with a member and officer board set up to oversee decisions in this field. The asset review process has made decisions relating to:

- Over 40 acres of Council owned land to be brought forward for development.
- Over 750 new homes, of which over 600 will be affordable homes
- Projected capital receipts in excess of £16m for the Council.

2.21 The new homes and capital receipts will be secured over the coming years as the development process does take time.

2.22 Alongside this will be real savings crystallised through the redevelopment and repurposing of surplus property with reduced operational property costs, and other revenue savings associated with, for example, homelessness. This process also allows timely and robust decisions to be made about our property to support short term opportunities, such as capital funding for refugee accommodation and age-friendly housing.

2.23. 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 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)

2.24. MAES provides adult education, learning and skills from 8 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 at Level 3 in Adult Care, Counselling, Supporting Teaching & Learning in Schools, Teaching, Leadership, Digital Marketing, Maths and English. 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.

2.25. 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 and other inflationary pressures in the context of standstill AEB budgets has meant that MAES has needed to use its reserves. It needs to continue to diversify its income sources and reduce costs to maintain the provision.

Work & Skills

2.26. The Work & Skills team is responsible for the 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, promoting good employment practices such as the Real Living Wage and supports business networks across the city. The labour market continues to be volatile with large numbers of 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. The team also works closely with GMCA to ensure that the city's priorities are reflected in commissioning of work and skills, which they control.

Digital Strategy

2.27. 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

2.28 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, 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 users safe.
- Reducing congestion and supporting business and economic recovery.
- Supporting active travel options of walking and cycling.
- Delivering a programme of highway improvements

2.29 Parking Services directly supports the transport strategy for the city and our operational highway activities with the aim to keep the city's roads moving. Work is ongoing to update the Parking Strategy and undertake a review of parking pricing and of the City's strategic approach to parking in light of the emerging City Centre Movement Strategy.

3. Service budget and proposed changes

3.1 Growth and Development Directorate has a gross budget of £35.6m and a net income budget of £11.3m. The Directorate employs 439 full time equivalent (fte) staff. The 2023/24 base budget and fte numbers are shown broken down by service area in the table below.

3.2 The other services within the remit of this committee include highways services and parking services and CCTV and they have gross budgets of £36.2m and net budgets of £13.3m and employ 241 fte.

Table One: Base budget 2023/24

	2023/24 Gross budget £'000	**2023/24 Net Budget £'000**	**2023/24 Budgeted posts (FTE)**
City Centre Growth and Infrastructure	2,393	1,982	28
Strategic Development	367	367	1
Strategic Housing	2,543	967	46
Major Regeneration	1,385	575	15
Planning, Building Control and Licensing	9,231	(600)	137
Investment Estate	8,020	(15,443)	38
MCDA	362	(1,247)	0
Work and Skills and MAES	11,345	2,004	174
Sub Total Growth & Development	**35,646**	**(11,395)**	**439**
Parking Services and CCTV	8,755	(6,263)	1
Highways	27,463	19,577	240
Sub Total Other Services	**36,218**	**13,314**	**241**
Total	**71,864**	**1,919**	**680**

Savings Plan 2024 - 27

3.3 Savings of £1.020m have already been approved as part of the 2023/24 budget and are to be delivered through increased annual rental income of £0.985m from Manchester Airport Group as well as £35k increased Development fee income for Highways. The increases are based on estimates provided by the Airport and achievement of this income is dependent on performance being in line with or better than the forecasts provided. The saving is phased £170k 2024/25 and £0.815m 2025/26. £35k to be achieved in 2024/25 through increased development fee income for Highways, and these are set out in Appendix 1.

New Savings Proposals

3.4 In addition to the already approved savings, and in support of the work required to balance the overall council budget, further options for savings have been developed and the areas considered include the following:

- Review of workforce structures and capacity alongside taking a realistic view on the ability to fill longstanding vacant posts.
- Review all income generation from sales, fees and charges and whether there are opportunities to increase charges in line with inflation.

Review Of Workforce Structures

3.5 Historically there have been staffing underspends across all Council Directorates, 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 reduce staffing budgets by £1m across the council, and Growth and Development Directorate proportion of this is £24k with a further £25k to be identified in Highways. Work has been undertaken by officers to review all long-standing vacancies and ensure there is an ongoing need for the post. Following this work, it has been agreed that two long term vacant posts will be deleted from April 2024.

Sales Fees and Charges

3.6 As part annual budget process all sales, fees and charges have been reviewed to ensure that they are services are fully recovering fees where appropriate, and also to ensure that budgets are uplifted where possible to reflect any realignment of budgets because of increased activity, or any increased income from proposed price increases.

3.7 Government have recently announced that planning fees were to increase by 35% for Major Applications and 25% on all other applications from December 2023, but as part of the increased there are tighter timescales on some of the applications that will need to be managed. Planning fee income is very much activity based, and particularly around large major planning applications which have significantly higher fees, it is difficult to forecast the actual level of fee income year on year but historically we have generally overachieved against budget and for 2024/25 we are forecasting that the new increased fee levels will raise an additional £400k per annum, but this will be required to be spent on planning activity.

3.8 The investment estate is made up of a large number of assets that each have separate lease or rental agreements, and any increase or uplifts have to be applied in line with the agreement. There are a number of uplifts applied each year, and a total of £266k has been forecast for 2024/25 from the annual uplifts, this will contribute towards the overall council budgets and the £1m savings target from increased sales, fees and charges.

3.9 In addition to the above and in light of the ongoing work around ensuring that the investment estate rent reviews are undertaken promptly and that any vacant units are marketed and relet as soon as possible a further £1m of additional income is proposed for 2024/25 from the investment estate.

Highways

As part of the review of income it is recommended that Highways external charges are increased by up to 5% from 1st April. This will raise a further £184k in income from increasing highways charges to developers and utility companies for fees and permits.

Growth and Pressures 2024-27

3.10 The directorate is pivotal in driving Sustainable Economic Growth of the city to benefit everyone. In order to continue delivering in these key areas there will be a need for increased capacity, and this is estimated to cost in the region of £0.745m. In light of the current overall Council budget position, it is not possible to provide additional investment to fund these resources, but the services have now started to review all existing resources in order to understand how existing resources can be reallocated to deliver this agenda, the key priority areas include:

- Major Regeneration – Ongoing major regeneration through Victoria North, Ancoats and New Islington
- Development – To support the ongoing development of growth and regeneration through management of City Council assets across the city.
- Planning – to continue to support the growth agenda and fulfil statutory functions, also provide for succession planning.
- Work and Skills – To support the 5 year delivery of Manchester Digital strategy, ensure increased social value from ongoing development and provide for succession planning.

3.11 In light of the increased planning fee charges, there are additional requirements around time to process applications and as part of the resource requirements there will be an increase to the planning fee income budgets of c£400k. This will ensure that the required resources identified as part of the target operating model can be funded.

3.12 In addition to the additional planning income, a review has been undertaken of all historic reserves held within the directorate. This review has identified £1.443m that it is proposed is used to provide transitional funding for the additional resources whilst a longer-term funding strategy is developed.

3.13 The review of existing resources will include a focus on how staff are retained, trained and developed, particularly in specialist roles where there is significant external competition with the private sector. The review will include a focus on talent management and succession planning to replace senior staff who are likely to retire in the short to medium term. At each opportunity structures will be reviewed to ensure efficiency and effectiveness in delivering our future plans, with a diverse, healthy and happy workforce who are engaged in the work they do and see their future with Manchester City Council.

Manchester Adult Education Service (MAES)

3.14 MAES is 100% externally grant funded and whilst some of the funding is linked to outcomes, the majority of the grants are either fixed or have reduced over recent years. Due to the current inflationary pressures on staff and non pay and the fact that funding is not increasing at the same rate, there is an emerging funding gap, which is currently being met from drawing down from reserves. The MAES reserve is currently forecast to be fully depleted by 2026/27. As part of seeking to mitigate the pressures officers are looking at options for consideration as part of the 2025/26 budget process, including seeking more grant funding, requesting funding from the Council's corporate inflation budgets, as well as cutting costs.

Off Street Parking

3.15 Whilst the number of off-street car park users has increased post pandemic, it has not returned to pre covid levels and this is largely due to changes in peoples working arrangements and the move to hybrid working. As part of the 2023/24 budget temporary support of £2.1m per annum was approved using reserves. The use of reserves is only temporary for two years and a longer-term parking strategy is being developed that will seek to better align both on street and off-street parking in order to ensure income is maximised.

Government Grants 2024/27

3.16 The majority of Government Grants received within Growth and Development relate to MAES activities. MAES is 100% grant funded and grant income is often based on outcomes. In recent years grant levels have not increased in line with inflation, and this has brought about pressures in respect of pay awards and other inflationary increases that have to be funded, without a corresponding uplift in grant funding.

Growth & Development Grants

Grant	2023/24 Budget	2024/25 Indicative Budget	2025/26 Indicative Budget	2026/27 Indicative Budget
	£'000	£'000	£'000	£'000
MAES Grants	8,941	8,972	8,992	8,992
ESOL	128	164	164	164
Talk English	100	100	100	100
Net Gain	87	20	0	0
Total	**9,256**	**9,256**	**9,256**	**9,256**

Highways Grants

Grant	2023/24 Budget	2024/25 Indicative Budget	2025/26 Indicative Budget	2026/27 Indicative Budget
	£'000	£'000	£'000	£'000
PFI Grant (street lighting)	2,917	2,917	2,917	2,917
Bike ability Grant	126	126	126	126
Total	**3,043**	**3,043**	**3,043**	**3,043**

The PFI grant contributes towards the costs of the street lighting PFI that runs up until 2029, and the bike ability grant is given to Highway authorities to provide bike ability training.

Customer and Client Income 2024-27

3.17 The table below provides a high-level summary of the current budgets for sales, fees and charges across Growth and Development Directorate. Work is ongoing to review the investment estate income, particularly forward looking to ensure rent reviews and lease renewals are reflected in the budgets. The table below does reflect the impact of the proposed increases identified within the body of the report.

	2023/24 Budget £000's	2024/25 Budget £000's	2025/26 Budget £000's	2026/27 Budget £000's	Comments
Investment Estate	22,531	23,951	24,266	24,266	Rent and service charge income
MCDA	1,520	1,520	1,520	1,520	Rent and Service charge income
Strategic Housing	537	553	553	553	Fees from other RP's for Manchester Move and feed in tariffs from solar panels.
Planning	3,073	3,473	3,473	3,473	Planning application fees – set by Government
Building Control	1,162	1,162	1,162	1,162	Building control fees
Land Charges	274	274	274	274	
Premises Licensing	1,174	1,174	1,174	1,174	Premises license fees
Taxi Licensing	2,074	2,074	2,074	2,074	Taxi License fees operate on a 3-year license cycle – fees are ringfenced
MAES	2	2	2	2	
Grand Total	**32,347**	**34,183**	**34,498**	**34,498**	

Appendix 3 provides an overview of the forecast medium-term budgets by service. **Appendix 4** provides an objective analysis of the 2023/24 budget to also set out the key areas of income. The forecast grants are listed at **Appendix 5.**

4. Commissioning and procurement priorities

4.1 The Directorate will continue to work with Integrated Commissioning and Procurement colleagues to ensure the procurement pipeline is understood and that work to procure contracts is undertaken in a timely manner.

4.2 Contract sessions with directorate management teams have been established commencing over September 2023 and quarterly thereafter. The aim of these is to support management teams to understand both their current contractual position and contract spend, and to develop an agreed pipeline of future commissions.

4.3 A new Contract Management System is expected to go live during the current financial year. Once operational this will provide Directorates with consistent contract performance information to support contract managers to ensure that contracts deliver against expectations and that opportunities for improvement can be identified and realised more easily.

4.4 There are a number of large-scale procurement exercises scheduled for 2024/25, they include:

- Wythenshawe TownCentre Partner
- Ancoats Mobility Hub.

5. Workforce Implications

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 part of the increased growth agenda and the increased asks across the directorate there has been a need for additional resources identified, and whilst longer term funding has not been identified, a transitional plan has been identified and this is set out at para 3.12.

6. Equality and Anti-Poverty Impact

6.1 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.

6.2 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.

7. Future opportunities, Risks and policy considerations

7.1 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.

7.2. Legislative changes in building safety requirements and change in requirements and increased demands on Planning and Building control.

Appendix 1 - Savings Schedule

Service Area	Description of Saving	Type of Saving	RAG Impact	Amount of Saving				Indicative FTE Impact
				2024/25 £'000	2025/26 £'000	2026/27 £'000	Total £'000	
2023/24 Approved Savings								
Investment Estate	Recognise annual agreed increase in Manchester Airport Group Rents	Income Generation		170	815	0	985	0
Highways	Increased Development Fee Income	Income Generation		35	0	0	35	0
New 2024/25 Savings								
Service Wide G&D	Delete 1 vacant post in Development	Efficiency		24	0	0	24	1
Strategic Housing	Inflationary increase on solar panels	Income generation		16			16	
Investment Estate	Increased income	Income generation		1,250	(500)	0	750	
Highways	Highways delete long term vacant post	Efficiency		25	0	0	25	1
Highways	Increased income through applying 5% inflationary uplift	Income generation		184	0	0	184	
Total				**1,704**	**315**	**0**	**2,019**	2

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Appendix 2 – Growth and Pressures Schedule

Service	Description of Pressure	Pressure / Growth Amount			
		2024/25	2025/26	2026/27	Total
		£'000	£'000	£'000	£'000
Parking Services and CCTV	Car parking income has reduced post Covid due to lower usage, particularly season ticket sales – The £2.1m is covered through use of reserve for 2023/24 and 2024/25.	**0**	**2,100**	**0**	**2,100**
Total Forecast Pressures		**0**	**2,100**	**0**	**2,100**

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Appendix 3: Indicative Medium-term budgets by service

Service Area	2023/2024 Budget £'000	2024/2025 Indicative Budget £'000	2025/2026 Indicative Budget £'000	2026/2027 Indicative Budget £'000
City Centre Growth and Infrastructure	1,982	1,982	1,982	1,982
Strategic Development	367	367	367	367
Strategic Housing	967	951	951	951
Major Regeneration	575	575	575	575
Planning, Building Control and Licensing	(600)	(600)	(600)	(600)
Investment Estate	(15,443)	(16,887)	(17,202)	(17,202)
MCDA	(1,247)	(1,247)	(1,247)	(1,247)
Work and Skills and MAES	2,004	2,004	2,004	2,004
Grand Total Growth & Development	**(11,395)**	**(12,855)**	**(13,170)**	**(13,170)**
Parking Services and CCTV	(6,263)	(6,263)	(4,163)	(4,163)
Highways	19,577	19,333	19,333	19,333
Total	**1,919**	**215**	**2,000**	**2,000**

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Appendix 4: Indicative Medium term budgets by type of spend / income

Growth & Development	2023/2024 Budget £'000	2024/2025 Indicative Budget £'000	2025/2026 Indicative Budget £'000	2026/2027 Indicative Budget £'000
Expenditure:				
Employees	21,147	21,523	21,523	21,523
Running Expenses	15,413	15,413	15,413	15,413
Capital Financing Costs	272	272	272	272
Contribution to reserves	0	0	0	0
Sub Total Subjective Expenditure	**36,832**	**37,208**	**37,208**	**37,208**
Less:				
Other Internal sales	1,028	1,028	1,028	1,028
Gross Expenditure	**37,860**	**38,236**	**38,236**	**38,236**
Income:				
Government Grants	(9,256)	(9,256)	(9,256)	(9,256)
Contributions from Reserves	(7,007)	(7,007)	(7,007)	(7,007)
Other Grants Reimbursements and Contributions	(243)	(243)	(243)	(243)
Customer and Client Receipts	(32,347)	(34,183)	(34,498)	(34,498)
Other Income	(402)	(402)	(402)	(402)
Gross Income	**(49,255)**	**(51,091)**	**(51,406)**	**(51,406)**
Total Growth & Development Net Budget	**(11,395)**	**(12,855)**	**(13,170)**	**(13,170)**

Highways	2023/2024 Budget £'000	2024/2025 Indicative Budget £'000	2025/2026 Indicative Budget £'000	2026/2027 Indicative Budget £'000
Expenditure:				
Employees	12,632	12,607	12,607	12,607
Running Expenses	35,434	35,434	33,334	33,334
Capital Financing Costs	0	0	0	0
Contribution to reserves	0	0	0	0
Sub Total Subjective Expenditure	**48,066**	**48,041**	**45,941**	**45,941**
Less:				
Other Internal sales	(11,848)	(11,848)	(11,848)	(11,848)
Gross Expenditure	**36,218**	**36,193**	**34,093**	**34,093**
Income:				
Government Grants	(3,243)	(3,243)	(3,243)	(3,243)
Contributions from Reserves	(3,218)	(3,218)	(1,118)	(1,118)
Other Grants Reimbursements and Contributions	0	0	0	0
Customer and Client Receipts	(16,443)	(16,662)	(14,562)	(14,562)
Other Income	0	0	0	0
Gross Income	**(22,904)**	**(23,123)**	**(18,923)**	**(18,923)**
Total Net Budget Highways	**13,314**	**13,070**	**15,170**	**15,170**

Manchester City Council
Report for Resolution

Report To:	Resources and Governance Scrutiny – 8 February 2024 Executive - 14 February 2024
Subject:	Housing Revenue Account 2024/25 to 2026/27
Report of:	Strategic Director (Growth & Development), Strategic Director (Neighbourhoods) and Deputy Chief Executive and City Treasurer

Purpose of the Report

This report presents members with details on the proposed Housing Revenue Account (HRA) budget for 2024/25, and an indication of the 2025/26 and 2026/27 budgets. It sets out the key assumptions being used in developing the next year's budget and 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 for 2024/25 will need to be approved. Historically Social rents have been subject to annual increases aligned to a national rent policy which allows social housing rents to be increased by up to the consumer price index (CPI) as at September plus 1%, meaning that based on the 6.7% September 2023 CPI rate, next year's rents should be increased by 7.7%.

Whilst the proposed rent increase for 2024/25 is 7.7%, members may recall that in 2023/24 despite CPI being 10.1% the Government imposed a cap on Social Rents at 7%, except for properties within PFI contracts, where the standard PFI unitary charges are contractually linked to inflation measures. Government has already announced that benefits are to also increase in line with the September 2023 CPI rate with effect from April 2024, so this will help mitigate any impact of the increase for tenants in receipt of benefits.

Additional financial support is available which is targeted at those most affected by the cost-of-living crisis and provides support relating to rent, energy bills or other household bills to all City Council tenants, which includes residents within PFI areas. The Community Living Fund is £1m in 2023/24 and proposed to be retained for 2024/25 with £300k being made available.

Recommendations

Scrutiny Committees are invited to review and comment on the proposed HRA Budget, and budget assumptions.

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.	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 (HRA) which is a ring-fenced fund separate to the Council's General Fund.

As part of the ringfencing arrangement and to maintain long term financial sustainability the HRA sets out a 30-year rolling financial plan 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, maintaining and investing in HRA assets.

Whilst HRA expenditure can exceed income in any given year, any deficit must be funded from HRA reserves, and not go into deficit overall, meaning that budgets must 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/medium term and whilst there is a forecast cumulative deficit over the 30-year period, this is currently manageable, within current resources, although officers are looking at options for savings as part of the 2025/26 budget process to close the forecast budget gap. Part of the long-term deficit reflects 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. There is a statutory responsibility to ensure there is a balanced HRA Business Plan over the 30-year period and further work is being taken to identify actions that will improve the position, noting the sensitivity in projections to small changes in inflation and other assumptions.

Financial Consequences – Capital

Within the proposed HRA budget a mandatory charge for depreciation is made, which is transferred and held in the Major Repairs Reserve (MRR), which can only be used to fund capital expenditure or reduce long term borrowing. In 2023/24 depreciation is forecast to be c£24m, and the capital programme is forecast to spend c.£20m. Further details on future capital investment plans and funding requirements are 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 proposed 2024/25 Housing Revenue Account (HRA) budget. This report sets out the assumptions that have been used in developing the HRA budgets, including the proposed increases to rents and heating charges.

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 are based 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 is responsible for determining a strategy designed to ensure that the HRA is in balance over 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 general taxpayer and vice versa).

3. Background

3.1. Since the introduction of HRA Self Financing from April 2012 the Council has had to manage its housing stock on a similar basis to other Registered Providers (RPs) 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 maximized.

3.2. The self-financing model was developed based on rents increasing in line with social rent policy, and this included annual rent increases of CPI plus 1%. However, from 2016 to 2019 the government changed this guidance and introduced four-years of rent reductions of 1% per annum which undermined the original self-financing business case and resulted in a permanent loss of rental income to the HRA of almost £300m over the 30-year business plan, which had to be contained by reducing expenditure over that time by the same amount to remain in balance.

3.3. In addition to the rent policy changes, there have been other pressures on the HRA business plan, these include the recent high inflation rates that have increased the costs, particularly capital costs but also the increased requirement to ensure that all tenants have a decent, safe and secure home.

Whilst this is not new for the City Council it does bring increased regulatory demands. These changes have brought about increased costs and therefore increased pressures because we are not able to increase rents over and above the rent policy. This is not unique to Manchester and all other social housing providers are having to review their business plans to ensure that the new demands can be met, whilst ensuring long term sustainability.

3.4. In developing the 30-year business plan it is essential that there is adequate assurance that the plan is robust and based on sound assumptions. In recent years there are increased scrutiny and challenges on social landlords due to increased regulation and the Social Housing Act 2023. This provides the Regulator with more powers to act against social landlords and requires actions to be taken in respect of standards, safety and operation of social housing. This is particularly present in respect of both damp and mould, and fire risk assessments which has required additional investment in repairs and maintenance to cover the additional requirements. This is covered in paras 6.35 – 6.40.

3.5. This report sets out the assumptions that underpin the HRA business plan and seeks to consider all risks, ensuring that all 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 in relation to rental increases or inflation levels 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 certain.

3.6. 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."

3.7. Total HRA reserves (excluding the Insurance Reserve) are forecast to be around c£90m at the end of the current financial year (2023/24) but are forecast to reduce by c£63m by 2025/26 to around £27m. These reductions reflect the significant capital investment plans of c£138m over the next three years. This includes c£102m of HRA resources, with the balance from external grants and capital receipts. 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.

3.8. Further details of the phasing of capital investment and the priority investment areas are set out in the capital section (para 6.19-6.27) of this report. Whilst there is some investment allocated to decarbonise the housing stock, the current capital programme does not reflect the full costs of retrofitting the entire council stock to reach the Council's zero carbon target by 2038. It is estimated that this will cost around £460m, or c£30k per property over and above the works already planned. This is unachievable from within current ringfenced HRA resources without additional government support.

4. Current Year's (2023/24) Budget Position as at Period 9

4.1. The original approved gross HRA budget is £117m and included a £35.5m revenue contribution towards the £60.4m capital programme. The HRA is currently forecasting an overspend of £4.094m made up of:

- Higher than forecast costs of repairs and maintenance of £8.764m. This is due to a combination of higher than forecast inflation increases and additional works to address additional regulatory requirements in relation to both damp and mould and fire risk assessment works £5.746m as well as forecast costs of £2.317m in respect of tenants claims for repair works that have not been undertaken, often known as disrepair claims, £365k management costs and £336k relating to intensive housing charges.
- Other smaller overspends amount to £0.605m.
- This is offset by additional interest earned on balances due to increasing interest rates (£1.860m) and reductions in the budget allocated to PFI sprinkler works which are now funded from capital receipts (£2.089m).
- Other net underspends of (£1.326m) including (£1.038m) reduced costs of gas because of a combination of reduced consumption, and reductions in wholesale gas prices.
- The reduction in the capital programme forecast outturn means that the budgeted £11.88m of revenue contribution to capital outlay (RCCO) is not required. This was to be funded in part from a transfer in of revenue reserves of £22.808m as set out in the original approved budget. This transfer will not be required until 2024/25.

5. Budget Strategy 2024/25 - 2026/27

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 deficit over the course of the 30-year business plan, and work is ongoing to ensure the HRA remains in balance. 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.
- New demands to comply with the Social Housing Act 2023, particularly around improved standards, safety and operation of our housing stock.

- the ongoing increased capital investment
- the recent high rates of inflation that are impacting on both revenue and capital costs.

5.3. Whilst the inflationary impact is providing cost pressures on the HRA, there is also the impact of many years underinvestment that is having to be addressed. This includes investment in back-office systems and processes, particularly the ICT infrastructure and the planned investment in the stock. Following the integration of the ALMO a key priority has been to ensure ICT system improvements are made, and resources have been allocated to fund this with works due to be completed in 2024.

5.4. 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 2024/25 Budget Assumptions

Rental Income

5.5. In previous years the Government's formula rent guidance assumes that rents increase by up to CPI plus 1%. The CPI rate used is based on the September figure in the preceding year, and as at September 2023 CPI was 6.7%. This HRA budget has been prepared in line with the formula rent of 7.7% to all tenants, with effect from April 2024. Based on these increases the average weekly rent (based on 53 weeks) will be:

- General Needs £90.12 (£6.44 increase)
- Supported Housing £82.34 (£5.89 increase)
- PFI Managed £109.78 (£7.85 increase)

5.6. In line with Manchester's Anti-Poverty Strategy and support for residents during the ongoing cost of living crisis it is proposed that the community living fund is retained for 2024/25, at £300k.

6. Management of Housing Stock and Property Numbers

6.1. The Council continues to own and manage c.15,000 properties within the HRA under various arrangements. These include in-house management of c12,000 properties, three PFI schemes that include c.2,600 properties, and one management arrangement with Peaks and Plains for 11 properties. The arrangement with a RP to manage 170 properties in West Gorton ended in March 2023 and the properties have been managed in house since 1st April 2023.

6.2. In the 2023/24 financial year Right to Buy Sales (RTB) were lower than the peak of 233 properties in 2022/23, in the aftermath of the pandemic. Sales of around 136 properties (c.1% of stock numbers) are forecast in the current year. The budget assumes ongoing 1% RTB sales per annum. 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 proactive strategy of replacement is adopted. There have been 69 new council homes built at Silk Street in Newton Heath and a further 130 new Council Homes are expected to be complete by 2025/26, which offsets reductions through RTB.

6.3. 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. Whilst the Council do receive capital receipts for any properties sold under the RTB, these are ringfenced receipts and can only be used to fund replacement social or affordable homes. The receipts have to be used in line with specific government guidance, and this includes:

- only funding up to 40% of the costs of new stock,
- Not being used in conjunction with any other Government funding, therefore requires 60% match funding from other HRA resources, such as borrowing.
- Must be used within a five-year timescale or repaid to Government.

To try and encourage provision of new stock, a cap on the number of existing properties that can be purchased directly has recently been introduced.

6.4. Due to the work carried out by Housing Services, void properties are now just above the 1% forecast as part of the current year's budget. There has been an improvement on the voids position which have reduced from the December 2022 figure of 182 to 166 voids in December 2023 the void levels in PFI areas are below 1%. It should be noted that whilst voids have reduced over the 12-month period, they have increased in recent months because of larger properties becoming available as 37 people have vacated larger properties and moved into right sized properties in Silk St. Given the amount of stock the target is to ensure as many properties occupied as possible, although it is recognised there will always be a number of void properties and the target should be no more than 100 void properties. This is having a positive impact on relet time and void rent loss. For budgeting purposes, it has been assumed that the ongoing work to reduce voids will continue and the void rate will be c.0.9 % per annum going forward.

6.5. Bad Debts – Analysis of what has been provided for bad debts over the last six years shows c0.6% based on rental income has been required. The provision currently applied across the Business Plan is 0.75% of estimated rent income per annum. Whilst 0.75% is higher than the actuals over recent years, given the likely pressure that tenants will be under because of the cost-of-living crisis it is prudent to assume 0.75% in 2024/25 and this will be kept under review.

Other Income

6.6. Other income is forecast to be c.£2.072m in 2024/25 and it is assumed that the majority of these budgets are uplifted by the forecast 4% inflation for 2024/25. In most cases there are separate lease arrangements for these premises and the rents are subject to increases in line with the lease conditions. The exception to this is the garage rents which are proposed to be increased in line with the housing rents increase 7.7%. The forecast 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 - **£436k.**
  - Other Income and Contributions – Contributions towards ground maintenance and solar panel income - **£346k.**
- Recharge to Homelessness **£240k** – rental income in relation to HRA properties used by Homelessness.
- Income from Leaseholders (e.g., contribution to heating, cleaning, and repairs to communal areas) - **£114k.**
- Investment Income **- £0.936m** in respect of interest due on balances.

Private Finance Initiative (PFI) Schemes

6.7. The PFI schemes are funded through a combination of PFI credits provided by the Government, and rental income from tenants. Whilst the PFI credits are a fixed amount over the life of the contract the PFI contracts are not capped and increase in line with contractual inflationary increases - for budget purposes the increase is forecast to be 4% in 2024/25, reducing to 2% from 2025/26 onwards.

6.8. PFI's were a popular way to access external investment and renewal into neighbourhoods and their housing stock. The long-term arrangement includes both ongoing annual management and maintenance of the stock as well as the repayment of the initial build costs. The cost of the overall investment is paid through an annual unitary charge to the contractor. Currently around 33% of the overall HRA expenditure is incurred on around 3,000 properties, which will revert back to the Council at the end of the contracts.

Communal Heating

6.9. As part of the HRA business plan it has always been the intention that tenants' heating charges are set to reflect the actual costs of delivering heat, this includes the costs of gas consumed, and costs of infrastructure maintenance to deliver heat. Each year a budget is calculated, but there are usually some variances, mainly due to charges being set based on forecast costs of gas for the following year and use gas consumption from the previous year, resulting in mismatches in the timing of the bills.

6.10. Communal heating gas is sourced as part of the City Council gas contract and this is due for renewal in April 2024, next year's prices have not yet been confirmed but for budget purposes it is estimated that gas will cost c.5,17 pence p/kWh, which includes the daily standing charge costs. Whilst this is a reduction of c.21% from the current price, it is still c.150% higher than the costs before the energy price rises due to worldwide turmoil in energy markets over the last two years.

6.11. The current forecast price cap of £1,620, set by Ofgem is based on a rate of 5.73 pence p/kWh for gas and a daily standing charge of 30 pence.

6.12. It is proposed to change the tariffs to residents in line with the price cap as set by Ofgem from 1st April 2024, and mirror the Ofgem price cap going forward. This will ensure that the charges are comparable with other residents who are not in communal heating schemes. A deficit was initially created in 2022/23 as the increased costs of energy were not fully passed on to tenants, resulting in significantly lower bills for those tenants served by communal heating systems. By following the price cap, it is expected that the deficit will be slowly recovered as the Council benefits from buying from its corporate contracts.

6.13. In calculating the charges based on the forecast Ofgem price cap the overall average charge would be £723 per annum, which is £14.46 per week. The average charge for residents paying via heating debits will be £18.86 per week and for residents paying by Point of Sales will be £12.28 per week.

6.14. 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 reduction in carbon emissions.

Debt Financing and Borrowing Costs

6.15. As part of the introduction of self-financing in 2012, the affordable level of debt for each HRA was determined, resulting in a national reallocation of debt. As part of the reallocation Manchester received a credit of c.£294m which enabled it to write off debt and reduced the capital financing requirement to c£121m as well as annual interest costs.

6.16. The 2024/25 opening HRA capital financing requirement is anticipated to remain unchanged at £121.3m. This includes £60.7m of external debt, with the balance being internally borrowed against HRA reserves. If the reserves fall below the planned level 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 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.

6.17. Following the removal of councils' HRA debt caps, there is no upper limit to the absolute level of debt that can be held. However, it must be shown that the debt can be serviced without the HRA going into deficit and this remains a significant barrier to the affordability of further investment. 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.

6.18. 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

6.19. With the increased demands and scrutiny on the housing sector, and the ongoing cost pressures it has become increasingly difficult to balance all of the calls on the HRA. In addition to the regulatory and statutory needs, and ongoing decent homes there is also the need to build new stock to ensure that stock numbers are at least sustained, and all this must be considered against the Councils zero carbon targets for 2038. Based on the current HRA business plan, it is not possible to achieve all the demands for investment, and there is a need for prioritisation to ensure that the resources are used in the most effective way, against the increased demands on the HRA and to do this there will need to be some difficult choices made.

6.20. The forecast capital programme for 2024/25 to 2028/29 is £149.7m, of which c.£6.8m will be funded from grants, £28.4m from capital receipts, £16.8m from the HRA revenue budget with the remaining £97.7m from the Major Repairs Reserve, which is replenished each year by the amount of depreciation that is charged to the revenue account. The profile of spend and funding is shown in the table below:

	2024/25	**2025/26**	**2026/27**	**2027/28**	**2028/29**	**Total**
	£'m					
Decent Homes	8,976	8,498	6,406	1,604		**25,484**
Minor Works	2,800	5,389				**8,189**
Asset Management	1,242	2,519	2,460			**6,221**

Delivery Costs	3,173					**3,173**
Social Housing Decarbonisation	15,519	19,816	12,183	5,252	4,701	**57,471**
North Manchester New Builds	405					**405**
Collyhurst Phase 1	20,756	4,821	3,700			**29,277**
ICT & Other	2,934	1,771	734			**5,439**
Property Acquisitions	11,004	3,040				**14,044**
Total	**66,809**	**45,854**	**25,483**	**6,856**	**4,701**	**149,703**
Financed by:						
Grants	2,233	4,573				**6,806**
Capital Receipts	25,213	3,265				**28,478**
Major Repairs Reserve	36,241	24,736	25,103	6,856	4,701	**97,637**

RCCO	3,122	13,280	380			**16,782**

6.21. Delivering a programme of this size for 2024/25 is ambitious given current marketchallenges including inflation and supply chain constraints. The capital investment plans reflect the underlying programme of capital works to HRA housing stock, the progression of the Collyhurst regeneration scheme and the Social Housing Decarbonisation schemes. The programme will be reviewed throughout the financial year, with any changes reported to members at the earliest opportunity.

6.22. The budget profile reflects a revised timetable and cost for the Social Housing Decarbonisation scheme following a review. Estimated costs have increased by c.£10.5m as a result of building cost inflation. However, there is also a need to undertake more detailed surveys on properties before work can commence. A budget increase request will be brought forward if required once a final programme is agreed. The Council is working with the Greater Manchester Combined Authority to seek approval to amend the completion dates and are reviewing the costs of each project to ensure value for money. Works to some properties will be considered when they next become empty to avoid having to decant tenants to complete the required investment and work to those homes.

6.23. There are two new investment programmes which are included in the forecast, and which are expected to form part of the Capital Strategy report to Executive. These are related to property acquisitions within the HRA, including the repurchase of former Council properties that may have been sold through the Right to Buy initiative, to be funded from RTB receipts. The HRA capital budget already allows for the costs and implications of the 130 new properties in Collyhurst that are due to be completed in 2025/26. The business plan includes the income and costs associated with these new properties entering the portfolio once completed.

6.24. The approved programme includes a number of schemes that will support the Council in becoming carbon neutral by 2038. There are a number of competing demands currently for the limited capital resources, the housing services asset strategy sets out that decent homes and building safety are the key priorities for investment, and the council's zero carbon ambitions have to be balanced against these statutory obligations.

6.25. The cost of reaching net zero is considerable, and the works required to reach the ambition will have to be delivered in manageable phases and include:

- Aligning works with decent homes and asset management works where possible.
- Developing a programme to retrofit a fixed number of properties per annum to achieve economies of scale where possible and affordable.

6.26. The asset management plan is being refreshed and is expected to be concluded during quarter 2 of 2024. The finalised plan will inform the future capital requirements and investment priorities for our housing stock. This will need to address important issues including ensuring decent homes standards are achieved and maintained, carbon reduction and fuel poverty are addressed, alongside the safety aspects on both fire risk and damp and mould. Resident engagement is a key part of developing this programme.

6.27. From 2026/27 c. £24.5m per annum of depreciation, index linked to inflation, has been assumed in the HRA business model, which will be used to fund capital works across the HRA estate. Once the asset management plan work has concluded this will be used to inform the development of future years capital programme and prioritise works.

MCC Housing Services

6.28. Following the integration of the ALMO (Arm's Length Management Organisation) in 2021, the council has worked closely with residents, partners and elected members to develop the new vision for the MCC Housing Services, which incorporates the profound changes through the Social Housing Act, Building Safety Act, Consumer Regulations, including Awaab's Law and the new Tenant Satisfaction Measures, which came into effect from April 2023, as well as the integration with the council. The changing regulatory landscape does present a risk to the future sustainability of the HRA.

6.29. 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

6.30. The vision directly informs the ongoing development of the new target operating model for MCC Housing Services. The new operating model will focus on delivering to the priorities set out above and is due be finalised during 2024.

6.31. The 2024/25 costs of Housing Services are forecast to be c£15.4m 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 £0.876m to allow for forecast pay award costs.

6.32. 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.

6.33. The residual £0.8m efficiencies largely relates to savings options that have not been taken forward, such as closure of neighbourhood offices and the need to support ongoing financial pressures in the service due primarily to increased demand and regulatory changes.

6.34. As part of the work to fully integrate housing services within the Council, and recognition of the increased statutory demands, work is ongoing to identify options for HRA savings going forward, including the development of the target operating model to ensure that statutory requirements will be met and whilst continuing to provide value for money. In order to ensure a sustainable HRA in future years it is necessary to look at what options are available to reduce the costs of managing and maintaining the housing stock. These options will be available for consideration as part of the 2025/26 Budget process.

Repairs and Maintenance Contract

6.35. 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. As part of the contract the annual budget is uplifted each year by CPI +1% which was 9.67% at the start of 2023/24, and whilst budgets are uplifted the costs are based on actual costs incurred and, in some instances, the actual costs have been subject to inflationary increases greater than the uplift applied to the budgets. During the year the monthly contract payments are based on the initial budgeted amounts, with reconciliation of actual costs being undertaken and then any adjustments being made at year end. It is the reconciliation amounts that are used to determine any pain/gain payments that are due.

6.36. The Repairs and Maintenance budget for 2023/24 was set at c.£16.8m, but the current forecast at c.£22.5m. The increased costs of £5.7m have mainly arisen because of additional works largely related to the increased health and safety demands on landlords, these include increased electrical and mechanical servicing (£0.7m), home safety works, including damp and mould and fire risk assessments (£1.83m), smoke alarms (£0.8m). In addition to the additional safety requirements there are c£1m increased costs in respect of both day-to-day repairs and void repairs, this is partly due to the work undertaken in year to reduce the number of voids and should not be recurring. The table below shows details of the current forecast.

Workstream	**Forecast Costs £000's**	**Comments**
R & M costs	8.877	
Cost of Void Properties	4.316	Securing and repairing 516 void properties
Annual Servicing Costs	4.091	Includes electrical, mechanical, smoke detectors and technology
Aids and Adaptations	2.495	Majority of these costs are capitalised
Fire Risk Assessment	882	New requirements in 2023/24, majority of these costs funded via transfer of budget from capital

Damp & Mould	908	New requirements in 2023/24 – forecast 5,500 inspections
Other Costs	1.177	Includes reconciliation from previous year and other costs within the repairs general ledger code
Contractor Overhead	2,753	Contractually agreed
Total Gross Costs	**25,499**	
Less Capitalised Costs	**(2,969)**	
Net Revenue Costs	**22,530**	

6.37. Officers are currently in discussion with the contractor to look at options to reduce the costs whilst not impacting on service delivery, this will include reviewing the existing delivery model and what can be done to reduce the overall annual costs.

6.38. The Council have agreed to extend the Housing Repairs and Maintenance contract for up to three years, with annual break clauses, the extension commences from 1st April 2024. In line with Council policy a Delivery Model Assessment will be carried out in advance of any decision to extend the contract and will be overseen by the Major Contracts Board.

6.39. In addition to the budget for repairs, a £2m budget has been introduced for legal, counsel and compensation costs for claims made by tenants for works that have not been undertaken to their properties. These are known as disrepair claims and there is an increasing number of claims partly due to increased numbers of legal firms cold calling tenants offering their support. This has been historically unbudgeted, but significant spending in this area necessitates the need for it to be budgeted and is line with the broader social housing sector.

6.40. The reactive repairs service remains under a high level of service demand, with an average of over 1,000 repair service requests each week. In response to increasing service demand, additional resources have been deployed which has resulted in a gradual reduction in the number of works in progress. Despite high service demand, improved service delivery processes and increased supplier resources have resulted in an improving customer experience, with customer satisfaction with the repairs service at a year-to-date performance level of 85%.

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 c4% in 2024/25, reducing to c2% ongoing in future years.

Garage Rents

6.42. It is proposed that 2024/25 garage rents are increased in line with the original rent formula of 7.7%. 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	£115.86	£2.23	£124.78	£2.40	£0.17
Prefabricated	£250.06	£4.81	£269.31	£5.18	£0.37
Brick Built	£293.84	£5.65	£316.47	£6.09	£0.44

7. Reserves Forecast

7.1. The overall reserves position is forecast to be c£93m at the start of 2024/25, and around £56m is the general reserve. The table below shows the forecast reserves position over the next three financial years.

Reserve Description	**2023/24 (Forecast)** £000	**2024/25** £000	**2025/26** £000	**2026/27** £000
General Reserves	56,126	30,451	5,157	-7,347
Residual Liabilities Fund	24,000	24,000	24,000	24,000

PFI Reserve	10,000	10,000	10,000	10,000
Total Reserves	**90,126**	**64,451**	**39,157**	**26,653**

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 2024 (excluding the Insurance Reserve) will be c£90.1m. This reduces by c£63.4m over the next three financial years to around c.£26.7m by the close of 2026/27 and this is due to the c£91m 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 2024/25 to see if any of the funding can now be released. As part of the budget strategy around £60m of reserves are used to fund internal debt, and this reduces the annual interest charges, once reserves fall below the £60m the interest charges on debt will increase.

7.4. Current projections show that the overall reserves are exhausted by 2029/30 and it is imperative that work is undertaken to identify opportunities to reduce costs as part of the 2025/26 budget process.

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.

Housing Revenue Account Budget 2024/25 - 2026/27

	2023/24 (Forecast) £000	2024/25 £000	2025/26 £000	2026/27 £000	See Para.
Income					
Housing Rents	(67,503)	(73,509)	(74,171)	(75,932)	5.5
Heating Income	(1,183)	(1,625)	(1,520)	(1,545)	6.9
PFI Credit	(23,374)	(23,374)	(23,374)	(23,374)	6.7
Other Income	(3,897)	(2,071)	(1,153)	(1,171)	6.6
Funding from General HRA Reserve	(11,814)	(25,675)	(25,294)	(12,504)	7.1

Total Income	**(107,771)**	**(126,254)**	**(125,512)**	**(114,526)**	
Expenditure					
Housing Services- Management	14,940	15,361	15,577	15,805	6.28
Housing Services - R&M	25,444	24,684	24,735	24,818	6.35
PFI Contractor Payments	34,137	35,283	35,814	36,137	6.7
Communal Heating	1,851	1,245	1,270	1,295	6.9
Supervision and Management	6,141	5,878	5,932	6,026	
Contribution to Bad Debts	600	555	560	573	6.5

Hardship Fund	700	300	0	0	5.6
Depreciation	20,173	24,387	24,736	25,103	
Other Expenditure	844	890	913	936	
RCCO	0	14,976	13,280	380	6.20
Interest Payable and similar charges	2,702	2,695	2,695	3,297	6.16
Total Expenditure	**107,532**	**126,254**	**125,512**	**114,370**	
Total Reserves (exc Insurance):					

Opening Balance	(104,440)	(92,626)	(66,951)	(41,657)	7.1
Funding (from)/to Revenue	11,814	25,675	25,294	12,504	
Closing Balance	**(92,626)**	**(66,951)**	**(41,657)**	**(29,153)**	

Communal Heating 2023/24 actual to 2024/25 proposed charges

Scheme	Current 23/24 charge (Q4)	Proposed 24/25 charge
Victoria Square:		
Type A	£13.60	£17.95
Type B	£14.63	£19.31
Type C	£15.74	£20.77
Type D	£16.33	£21.56
Type E	£20.93	£27.62
Caretaker	£25.07	£33.09

Sheltered Housing:			
	Housing Services		
	1 person flat	£14.28	£14.71
	2 person flat	£17.34	£17.86
	Brunswick		
	1 person flat	**£14.28**	**£12.48**
	2 person flat	**£17.34**	**£15.16**

2/4 Blocks:			
	Housing Services		
	2 & 4 Block Flat	£13.85	£18.04
Other:			
	Sandyhill Court	**£12.27**	**£10.08**
	Broomfield	**£11.81**	**£10.08**

Grove Village PFI scheme:

Flat	1 Bed	£13.95	£17.85
House	2 Bed	£17.23	£22.05
House	3 Bed (small)	£21.79	£27.88
House	3 Bed (large)	£0.00	£0.00
House	4 Bed	£25.13	£32.16
Point of Sales pence per unit		10.77	13.78

Point of Sales pence per unit of heat		
Meco	17.97	25.06
Housing Services Multis:		
Multi storey	16.93	19.42
Victoria Avenue	7.69	13.57
Brunswick		
Multi storey	**23.14**	**18.88**

Manchester City Council
Report for Information

Report To:	Executive – 14 February 2024 Resources and Governance Scrutiny Committee – 26 February 2024 Council – 1 March 2024
Subject:	Capital Strategy and Budget 2023/24 to 2026/27
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 2023/24 capital programme and forward commitments, alongside the Capital Strategy for the City Council, setting out the additional capital investment the Council is making to help it deliver its services, improve neighbourhoods and the environment.

Recommendations

The Resources and Governance Scrutiny Committee is requested to note and comment on the report.

The Executive is requested to:

1. Approve and recommend the report to Council, including the projects for Council approval in section 7, 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 2023/24.

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 2023/24 to 2028/29 prior to their submission to Council for approval, subject to no changes being made to the overall estimated total cost of each individual project.

The Council is requested to:

1. Approve the budget changes for the capital programme noted in section 7.

2. Note the capital programme as presented in Appendix 3 (£408.2m in 2023/24, £463.7m in 2024/25, £173.8m in 2025/26, £62.9m in 2026/27. £7.8m in 2027/28 and £5.6m in 2028/29) which will require prudential borrowing of £424.0m 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 2023/24.

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 2024/25 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 approve Powering Our Schools qualifying spend to save loan schemes outside of £5m maximum invest to save outlined in constitution.

   f) 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.

   g) 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.

   h) The Deputy Chief Executive and City Treasurer and the Strategic Director for Growth and Development in consultation with the Executive Member for Finance and Human Resources to agree and approve acquisitions using the Strategic Acquisitions budget.

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.
Equality, Diversity and Inclusion - the impact of the issues addressed in this report in meeting our Public Sector Equality Duty and broader equality commitments	N/A

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

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

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

The capital programme report as presented will require £424.0m (all General Fund) of prudential borrowing over the period 2023/24 to 2026/27. 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 2023/24 is £408.0m, including new projects included in this report, of which £195.9m is forecast to be funded from borrowing. Across the forecast period 2024/25 to 2028/9, the forecast is £713.8m, of which £228.1m is forecast to be funded from borrowing. The forecasts include new proposed schemes of c. £181.5m, of which c. £9.9m are funded from borrowing.

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Attachments

Appendix 1: Capital Approval Process
Appendix 2: Proposed Amendments to the Capital Budget
Appendix 3: Capital Budget 2023/24 - 2028/29

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 15th February 2023 – Capital Strategy and Budget 2023/24 to 2025/26
Report to Council 3 March 2023 (Capital Strategy and Budget 2023/24 to 2025/26)
Report to the Executive 22nd March 2023 - Capital Programme Update
Report to the Executive 31st May 2023 - Capital Programme Update
Report to the Executive 28th June 2023 - Capital Outturn 2022/23 and Capital Programme Update
Report to the Executive 13th September 2023 - Capital Monitoring and Programme Update
Report to the Executive 15th November 2023 - Capital Monitoring and 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 2023-27, which sets out the Council's key capital priorities and the approach to financing these. 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. In this report, new schemes valued at c. £181.5m are proposed, investing across the Council's priorities, and these schemes are affordable within existing resources. This investment will take capital investment for the Council to c. £713.8m from 2024/25 onward.

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. 2023 was marked by a series of significant economic events. The year started with expectations of a recession, following the ongoing cost-of-living and inflation crisis. However, the economy largely flatlined, with the latest information at the time writing showing that the UK may have entered a technical recession, with a slight contraction of 0.1% in the third quarter. Inflation remained a key concern, partly due to the ongoing impact of Russia's invasion of Ukraine. Despite this, inflation fell faster than expected, although living costs remained high. Current unrest and instability in the middle east threatens to worsen inflation over the course of 2024. The Bank of England Base Rate has remained at 5.25% since August 2023. High energy prices and increased borrowing costs have continued to impact businesses and households. Despite these challenges, the UK GDP remained slightly above its pre-pandemic level.

2.2. Construction inflation has continued to lessen over the course of 2023, however pressure on wages to match inflation combined with shortages of some workers means that labour rather than materials is now its main driver. There is a risk that materials costs could again become a concern should unrest in the middle east affect shipping through the Gulf of Aden.

2.3. Manchester itself has continued on a trajectory of growth over this period. There are now more workers and jobs in the city than ever before, and the centre of Manchester is performing well as the productive core of the wider city region. Our population has continued to increase, and Manchester is home to an increasing number of knowledge intensive, high value and high productivity jobs and businesses. The Council's recently adopted Economic Strategy sets out our vision for supporting continued growth in the city while ensuring that more of the benefits of growth are felt locally.

2.4. While Manchester's economic performance has generally been positive and compares well to our UK peer cities, it is important to recognise that significant number of residents affected by the cost-of-living crisis. Manchester has over 40,000 residents with discretionary income of less that £30 per month (after essential costs). MCC spend over £30m in 2023/24 on anti-poverty and cost of living crises responses measures.

2.5. Development and capital investment continues to provide a significant opportunity to create social and economic benefits for our residents, especially through social value, by creating new learning, training and employment opportunities, new services for local people and enhancing public realm and the built environment.

2.6. Manchester is taking advantage of funding opportunities to drive development and has been successful in the bid for £20m Levelling Up Funding towards the redevelopment of Wythenshawe Civic Centre, in addition to the £20m awarded for the Campfield redevelopment. The Council is continuing to seek to maximise grants including the impact of funds such as the Public Sector Decarbonisation scheme.

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. The strategy provides 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. The Our Manchester Strategy is being reviewed and updated during 2024/25 to set out the priorities for the city for the next five years.

3. Priority areas for capital programme

3.1 The Council's capital investment priorities reflect the Our Manchester Strategy and the Capital Programme for 2024/25 will be developed within these priority areas as set out below. The programme will predominately include the continuation of existing schemes and commitments but will also include new investment as set out below:

3.2 ***Investment into neighbourhoods and communities***

3.2.1 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 and the programme will be updated to reflect the grant allocations as they are received.

3.2.2 sustaining core community assets such as parks, leisure facilities, community facilities and libraries for Manchester residents. 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 is being supported by £5m capital per annum over the next three years.

3.2.3 to support businesses and residents to create thriving district centres with appropriate retail, amenities and public service offer.

3.2.4 to enable invest to save investment for market interventions within Homelessness and social care provision where required. Schemes to support adult social care and homelessness priorities are being developed alongside recognition of new grant funding available to the Council to house refugees.

3.3 ***Investment in growth and regeneration***

3.3.1 To support employment growth through a strengthening and diversification of the economic base and efficient use of land. In November 2023 we launched the new economic strategy for the city that sets out our approach on this agenda.

3.3.2 Catalytic in supporting and delivering the economy strategy.

3.3.3 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

3.3.4 Eastern Gateway

3.3.5 To promote the role and continuing growth of the City Centre as a major regional, national and international economic driver.

3.3.6 The development of public realm including Piccadilly Gardens.

3.3.7 Provision to ensure there is flexibility for key strategic acquisitions that unlock developments.

3.4 ***Delivery of the Zero Carbon Action Plan* and achieving net zero carbon by 2038 at the latest.**

3.4.1 The City Council has declared a climate emergency and is seeking to become carbon neutral by 2038 at the latest, requiring the Council to reduce its direct carbon dioxide emissions by at least 50% by 2025.

3.4.2 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.

3.4.3 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.

3.4.4 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.

3.4.5 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

3.3.6 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.

3.5 ***Delivery of the Housing Strategy***

3.5.1 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.

3.5.2 The first phase of This City is underway, and the delivery of an affordable housing offer remains a key priority. A Housing Affordability Fund remains in place to support the delivery of affordable housing and schemes will be developed to ensure housing related receipts are used effectively.

3.6 ***Maintaining our corporate assets***

3.6.1 Investing in highways and road safety and the Asset Management Plans, alongside seeking to maximise the use of the corporate and investment estate, to ensure Manchester is a well-managed council.

3.6.2 The highways and road safety programmes are largely funded by government grant with additional investment from borrowing to deliver a more comprehensive maintenance programme. 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 support the annual business as usual for highways investment and road safety and delivery of the Council's asset management plan.

3.6.3 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.

3.6.4 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.

3.6.5 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.

3.7 ***Investment in new and upgraded transport infrastructure,***

3.7.1 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.

3.7.2 The capital programme will be updated for the inclusion of government grant and external funded maintenance and development programmes for Highways.

3.7.3 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 9.8. 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. Zero Carbon Action Plan

4.1 Due to the importance of achieving the Council's zero carbon ambitions, an update on the approach and investment to date has been included in the Capital Strategy.

4.2 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 **£319m** to deliver the 5-year Climate Change Action Plan. The breakdown of this is as follows:

- £145m 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), and including
- £0.946m funding for the Manchester Climate Change Agency to support with staffing and operational costs
- £0.8m additional ongoing revenue secured as part of 2022/23 budget setting to provide additional staffing capacity (12 new posts) to support delivery of the CCAP (additional details on what these posts are delivering is provided in the table below).
- £97m from UK Government (including funding for Mayfield Park, Urban Tree Challenge Fund, Public Sector Decarbonisation Scheme, Active Travel, Social Housing Decarbonisation Fund, HNIP grant contribution to Civic Quarter Heat Network)
- £55m from the GMCA (including Active Travel, GM Mayors Challenge Fund)
- £8.1m from the European Union (including ERDF funded Unlocking Clean Energy and Homes as Energy Systems, Horizon 2020 funding for West Gorton Park, URBACT C-Change and Zero Carbon Cities projects
- £10m 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).

4.3 The investment outlined above has assisted the Council in making good progress towards achieving its zero-carbon target by helping to reduce its direct emissions and remain within the carbon budget limit.

4.4 There will also be specific investment required with the forecasted 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;
- retrofit works to the Council's housing stock to move towards it being carbon neutral; and
- further investment in green energy solutions.

4.5 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. The Council is also actively looking at biodiversity net gain initiatives which could use Council land.

4.6 Whilst carbon reduction remains one of the corporate priorities, there are limited resources available to fund the ambitions. It will be important to ensure that the Council can maximise any opportunities from the GMCA Net Zero pathfinder which includes £150k from Innovate UK towards exploring ways in which net zero neighbourhoods can be developed through financing approach, development of a physical pipeline of projects and stakeholder engagement. In addition, the funding secured from Department for Energy Security and Net Zero (DESNZ) to support the development of a community-based investment model will be important in finding new ways to fund and deliver zero carbon investment.

5. Financing the Capital Strategy

5.1 Capital expenditure can only be spent on the purchase or improvement of assets that have a long-term value to the Council, such as land and buildings 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.

5.2 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.

5.3 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.

5.4 The following principles will be followed to ensure that the limited capital resources available are prioritised to achieve best value for money:

5.5 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.

- Reviews to identify surplus or underutilised assets that can be disposed of 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.

5.6 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.

5.7 The Council’s Capital Financing Requirement required to deliver the capital programme is forecast to be £2.2bn by 2025/26. Whilst this ranks as one of the highest levels of borrowing amongst local authorities in absolute terms. at c. £4k per head it is not – indeed, for 2023/24 the Council’s CFR per head ranked as 33rd amongst authorities for which the data is available. 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.

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 valued at over £3bn (exc. Heritage and Infrastructure assets) 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
- 12,501 properties (exc. PFI)
- 213 Homelessness bed spaces and 60 units

Schools
102 Maintained Local Authority Schools
82 Academies
53,325 Primary places
34,047 Secondary Places

Estate Asset Management
367 MCC operational buildings (inc 22 Leisure Centres, 24 Libraries, 7 Markets, 41 Early Years settings and 21 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 During 2023/24 the Council has delivered several new schemes including:

- Aviva Studios at The Factory opened creating a landmark global destination for arts, music, and culture in the heart of Manchester.
- Abraham Moss Library and Leisure Centre new build launched with state-of-the-art swimming, health and fitness, sports hall, and library facilities.
- The Velodrome, full refurbishment at the National Cycling Centre re-launched facilities with new green credentials – becoming the UK's first all-electric Velodrome.
- House of Sport Manchester, a new administration hub for the sport and physical activity sector.
- New Wind Tunnel at Manchester Institute of Health and Performance to become the world's leading cycling wind tunnel for British cyclists' supporting elite and performance development.
- Tennis and Football Centre, outdoor football pitch and indoor tennis court upgrades to competition standards.
- Platt Fields Park, including upgrades to BMX track and sports lighting –

providing a platform for growth in local cycling participation.

- Scotland Hall Road and Ladybarn Park, including upgrades to multi-sport games areas, new activity spaces and park lighting – underpinned by a community activation programme encouraging more people to get active.
- Silk Street 69 affordable low carbon homes in Newton Heath
- Highways access improvements adjacent to 38 schools across the city.
- The implementation and go-live of the Christie Expansion Residents Parking Scheme
- Two further phases of the 6km Chorlton to Manchester Walking and Cycling at Upper Chorlton Road and Brooks Bar junction funded by Mayors Challenge Fund
- Road Safety improvement programme comprising a range of safety features at 52 locations across the City.

6.4 The capital programme contains around 320 schemes to be delivered across the next three years. The schemes are funded by several funding streams, both internal and external (e.g. grants), as set out in section 9.7. Major schemes include:

6.4.1 **Highways Services –** ongoing maintenance programme for carriageways, footways, drainage and structures, Active Travel Schemes and Road Safety schemes

6.4.2 **Neighbourhoods -** Hough End Football Hub development, Manchester Aquatics Centre Refurbishment, National Cycling Centre Refurbishment, Galleries Collection Housing & Remediation Works, and the Parks Development Programme.

6.4.3 **Completion of The Factory and St John's Public Realm**

6.4.4 **Growth and Development –** Asset Management Programme maintaining the Council's assets, Carbon Reduction Programme, Campfield Redevelopment and Home Arches utilising Levelling up Fund.

6.4.5 **Town Hall and Albert Square Refurbishment programme**

6.4.6 **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.

6.4.7 **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.

6.4.8 **Information and Communication Technology (ICT) -** Network Refresh Programme updating the Council's wider area network, local area network and wi-fi.

6.4.9 **Adults, Children's and Corporate Services –** Completion of Gorton District Centre providing integrated health and community services

7. Development of the Capital Programme

7.1 The new schemes recommended to be included in the programme reflect the agreed priorities. A summary of schemes to be included in the 2024/25 programme along with their funding and spend profile can be found at appendix 2 and are summarised below.

7.2 The total increase to the programme would be £181.5m. These schemes are included in the existing and proposed capital programme in Appendix 3 and are affordable within existing resources.

For Council approval:

Investment into neighbourhoods and communities

7.3 Neighbourhoods – Infrastructure Renewal Fund. 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.

7.4 Neighbourhoods – Homelessness Accommodation – Manchester City Council is seeking to develop alternative temporary singles accommodation for homeless adults as an alternative to placing into B&B type accommodation. The Council and Homelessness Service has a very real need for accommodation for vulnerable homeless people within the city. The redevelopment of the Dickenson Road site will provide 24 single occupancy units of Homeless Hospital Discharge temporary accommodation, replacing the current provision at Elizabeth Yarwood Court which is to be demolished as part of the Regeneration of the area on which the site is located. A budget increase of £5.622m is requested, funded by Capital Receipts.

7.5 Adults – Digital Switch Community Alarms. All analogue phone lines in England will be switched to digital by December 2025. The project is to swap out analogue units to a SIM based, digital device at properties of citizens who are currently paying to receive service related to community alarms. A budget increase of £1m is requested, funded by borrowing.

7.6 Adults – Shared Care Grant – the Council has received grant from the Government for the Greater Manchester Shared Care programme, which the Greater Manchester Combined Authority leads on. This is for use across the wider health system, with decisions on the use of the funding being made by Combined Authority. A budget increase of £2.0m is requested, funded by grant.

7.7 Children's Services - Levenshulme High School for Girls – 2024 Expansion – Additional Costs. The overall project will deliver an additional 100 places of secondary education for Manchester residents at Levenshulme High School. £2.5m has been approved to date for the project but as the project progresses it has become known that the new teaching block will not be ready to accommodate students until spring term 2024-25. Additional costs are therefore being requested to facilitate construction of a mezzanine floor to a double height classroom. This will provide additional classroom spaces in the interim and to accommodate an increased PAN in September 2024. Growth in schools is funded by the Education Basic Needs Government Grant which will be utilised for this scheme, the next allocation of the grant is not anticipated until 2025/26, therefore approval is sought to cash flow expenditure for works through use of Capital Receipts. The Council will be reimbursed when the grant is received, and there is little, or no risk identified through this approach due to the ongoing receipt of grant funding. A budget increase of £0.130m is requested, funded by Capital receipts.

7.8 Children's Services - Manchester Communication Academy – 2024 Expansion

– Additional Costs. The project will deliver an additional 300 places of secondary education for Manchester residents. £8.4m has been approved to date but additional funding is now required. Due to planning delays because of Sport England objections over loss of playing field, the work is not expected to be completed in time to admit the increased cohort in September 2024. Additional costs are therefore being requested to facilitate the construction of two relocated MUGA courts, a single-storey extension on the side of the school sports hall, and associated utilities upgrade costs for the new building. The extension would provide additional classroom spaces to accommodate the increased PAN in the interim and beyond. The MUGA courts are required to mitigate objections raised by Sport England. Approval is sought to cash flow expenditure for the additional works through use of Capital Receipts, until the next allocation of Education Basic Need grant is received in 2025/26. There is little, or no risk identified through this approach due to the ongoing receipt of grant funding. A budget increase of £1.1m is requested, funded by Capital Receipts.

Investment in growth and regeneration – to support employment growth through a strengthening and diversification of the economic base and efficient use of land.

7.9 Growth – Support for the Oxford Road Corridor – the Oxford Road Corridor is an Enterprise Zone (EZ), within which the Local Enterprise Partnership (LEP) retains all business rates growth generated, and any growth is held in a ringfenced reserve by the Council. Following agreement from the Greater Manchester Business Board which acts as the LEP for the area, it is proposed that a grant is provided to support the redevelopment of the Greenheys building at Manchester Science Park to facilitate the relocation of Biobank, which will support a further increase in business rates yield which would be retained by the EZ. The grant would be paid over a 5-year period, funded from the ringfenced reserve for business rates growth within the LEP over that time period. The grant will start to be released on the signing of a grant funding agreement and following completion of all necessary commercial, financial and legal due diligence. A budget increase of £4.5m is requested, funded from the retained business rates in the EZ business rates growth reserve.

7.10 Growth – Strategic Acquisitions. To set aside funding for potential strategic acquisitions that could support existing or future development and regeneration schemes, including provision to acquire the lease interest in 103 Princess St and to acquire third party interests in the Irish World Heritage Centre. A budget increase of £21.4m p.a. is requested between 2024/25 and 2026/27, funded from capital receipts.

Delivery of the Zero Carbon Action Plan

7.11 Growth – Carbon Reduction Programme 2024/25 - To ensure continued decarbonisation of the estate to meet the Council's zero carbon target by 2038, a new programme of works has been proposed to remove fossil fuel consumption at a number of sites such as libraries, cemeteries and sure start centres, while simultaneously working on a full roadmap to understand the complete journey to zero-carbon over the next 15 years. The work will consist of fabric efficiency upgrades such as windows and insulation, as well as electrical and mechanical infrastructure upgrades that will support the installations of heat pump technology as part of this programme. LED replacement and solar generation along with BMS will be installed /upgraded to control and reduce electrical demand of the sites. It is expected that part of this funding will be used to match fund an application for grant funding to the Public Sector Decarbonisation scheme 3C. A budget increase of £10.5m is requested, funded by invest to save borrowing.

Delivery of the Housing Strategy.

7.12 Private Sector Housing - This City – To reduce the level of borrowing required for the affordable housing created as part of the project at Rodney Street, it is proposed to transfer and use part of the already approved Housing Affordability Fund instead. A budget virement of £1.997m is requested, funded by external contributions, and a budget reduction of a similar amount, funded by borrowing, from the This City scheme.

7.13 Public Sector Housing – Social Housing Decarbonisation Fund – To reflect the increase in costs associated with the Social Housing Decarbonisation Fund. Following a review of the schemes, costs for the programme have increased significantly as a result of building cost inflation, some of the solutions being more complex than originally anticipated and also a need to undertake more detailed surveys on properties before work can commence. A budget increase of £10.494m is requested, funded from capital receipts.

7.14 Public Sector Housing – Buying Back Former Council Properties. A policy for buying back former Council homes in Manchester to maximise the supply of affordable housing in the city was introduced in 2019. The policy was introduced to reduce the number of homes which may otherwise end up in the often poorly managed private rented sector. The Right to Buy onward sales procedure legally provides the Council (or a nominated RP) first refusal to acquire properties that are to be sold within the first 10 years of the Right to Buy acquisition date. This request will allow funding to continue acquisitions as and when properties become available. The scheme will utilise one-for-one capital receipts in the first instance with up to 60% match funding from housing receipts where required. A budget increase of £3m is requested, funded by Housing Capital Receipts.

7.15 Public Sector Housing – Property Acquisitions. There is an ongoing shortage of social and affordable housing across Manchester. The scheme will provide properties that are in high demand across the City, specifically bungalows when available. The increased supply of affordable bungalows will ensure specific households on the housing register will get rehoused more quickly. The scheme will utilise one-for-one capital receipts in the first instance with up to 60% match funding from housing receipts where required. A budget increase of £15.039m is requested, funded by Housing Capital Receipts.

Maintaining our corporate assets.

7.16 Asset Management Plan. To fund a three-year programme of the asset management works 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 in 2024/25, £15.0m in 2025/26 and £15.0m in 2026/27 is requested funded from capital receipts.

7.17 Neighbourhoods - Bridgewater Hall. To fund the design costs associated with a programme of Phase 1 refurbishment works at the Bridgewater Hall. For Phase 1, the works will focus principally on the auditorium but also some wider operational items and building fabric where items are beyond or at the end of warrantable life, requiring replacement, and/or have a limited lifespan and require major repairs to bring them up to standard. A budget increase of £1.2m is requested, funded by borrowing.

7.18 Growth - Hammerstone Road Depot. Further to submission of Planning approval for the updated external works scheme at Hammerstone Road Depot, which incorporates new external lighting and CCTV works to the Upper Car Park and a revised layout which have been developed in consultation with key stakeholders, the main contractor has highlighted unforeseen issues and consequential improvements which have arisen from the planning process and design development. The additional funding requested will address the full concerns of the stakeholders and meet the requirements of Planning. Works include Installation of new lighting, CCTV and EVC's to upper car park, new drainage and surfacing, and increased car parking spaces. A budget increase of £4.7m is requested, funded by borrowing.

7.19 Highways – Investment Plan. To fund a three-year programme of the Highways investment plan, to support the Council's Road and Footway (£13m), drainage network (£2m) and Parking (£0.5m). External funding (£6m) will be used in 2024/25 to continue works on the patching programme, repairing actionable defects. Future year external funding will be added once the final government grant is known. A budget increase of £21.5m is requested in 2024/25, funded from £6m of government grant and £15.5m Capital Receipts. A further increase of £15m in 2025/26 and £15m in 2026/27 is also requested, funded by Capital Receipts.

Investment in new and upgraded transport infrastructure.

7.20 Highways Services – ITB Funding. The Integrated Transport Block (ITB) provides funding support to local authorities for transport capital improvement schemes worth less than £5 million. The funding will be spent on priorities, to be determined, in each of the following categories, Road Safety Programme, Minor Schemes, Speed Cameras and Major Schemes. A budget increase of £1.585m is requested, funded by External Contribution.

For Executive approval – Revenue budget:

7.21 Children's Services - Relocation of St. Agnes CE Primary School to the Co-op Academy Belle Vue and the former Slade Lane Children's Centre - Additional Costs. During extensive works to St Agnes CofE Primary School, pupils and staff have been decanted to Co-op Academy Belle Vue to avoid disruption. A revenue budget increase of £0.139m is requested, funded from the Capital Fund reserve.

7.22 ICT - Data Repository. This project will deliver a data repository solution to store archived system data that must be retained in line with data retention policies and can be accessed when needed. Due to the nature of the data collected by the organisation, a large proportion of data is required by law to be retained for extended periods. A revenue budget increase of £0.256m is requested, funded from the ICT Investment reserve.

7.23 ICT – Replacement of Community Alarms platform (CATEC). This project is required due to a change in the external environment – namely, the intention to retire analogue telephone networks such as the Public Switched Telephone Network (PSTN) by the end of 2025. The industry will upgrade landline services to new digital technology using an internet connection, such as Voice over Internet Protocol (VoIP), Digital Voice or All-IP telephony. The existing equipment and platform are not compatible with the new technology and must be replaced to enable the service to continue to be provided. A revenue budget increase of £0.083m is requested, funded from the ICT Investment reserve.

7.24 ICT – SAP Estate Remediation. Remedial activity is required to further secure and better our current SAP estate, ensuring service stability whilst the strategic direction and longer-term solutions are identified and implemented. The project will lead to the resolution of numerous vulnerabilities and bring the SAP environment back into full support. Several critical activities will need to be completed. A revenue budget increase of £0.660m is requested, funded from the ICT Investment reserve.

7.25 Powering Our Schools- Iincreasing the deployment of renewable energy generation and smart energy infrastructure, including solar photo voltaic (PV) installation is a key part of the Council's zero carbon ambitions. The capital costs of installation have previously been identified as a significant barrier to the widespread deployment of solar PV on school roofs. A collective purchase scheme has been proposed to partly mitigate this through aggregated purchasing. Alongside the nine other boroughs, Manchester is working with Greater Manchester Combined Authority (GMCA) to develop this scheme, called 'Powering Our Schools.'

7.26 This type of scheme may facilitate deployment for some schools in multi-academy trusts, but local authority (LA)-maintained schools are still unlikely to be able to afford the cost from their own reserves, even with a discount from aggregated purchasing. A Council loan scheme has been proposed to support Local Authority maintained schools' to pay capital costs

7.27 For a school to be considered suitable for a loan, a condition survey of the roof structure, their current and projected finances, and any planned works in the next 5 years will be assessed. Where all three criteria are satisfied, a roof condition and structural survey will be centrally procured and funded by GMCA. Once the result of this survey is reviewed by the School and the Council, a decision will be made on whether to progress the loan application. It is expected that the revenue savings generated from the solar panels will repay the loan to the Council over a number of years, which will be governed under the MCC loans to Schools policy.

7.28 It is proposed that delegated approval from Executive is given to the Deputy Chief Executive and City Treasurer to approve the individual invest to save loan schemes as they come forward. This request will be over and above existing spend to save limits for approval.

7.29 The capital programme 2023/24 to 2028/29 is shown below. The programme is based on the forecast as at the end of December 2023, which is reported elsewhere on the agenda, and the additional proposed schemes noted above.

Forecast Budgets	**2023/24**	**2024/25**	**2025/26**	**2026/27**	**Future Years**	**Total**	***Total 24/25-28/29***
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	***£m***
Manchester City Council Programme							
Highways	40.8	45.0	20.5	18.9		**125.1**	***84.4***
Neighbourhoods	42.4	17.5	5.3			**65.2**	***22.8***
The Factory and St John's Public Realm	54.4					**54.4**	***0.0***
Growth	96.7	125.1	31.5	18.9	**1.8**	**274.0**	***177.3***
Town Hall Refurbishment	63.8	84.5	22.5			**170.8**	***107.0***
Housing – General Fund	28.9	52.0	15.2			**96.2**	***67.2***
Housing – HRA	43.9	66.8	45.9	25.1	**11.6**	**193.3**	***149.4***
Children's Services (Schools)	29.6	36.2	1.4			**67.2**	***37.6***
ICT	2.7	2.9				**5.6**	***2.9***
Corporate Services	4.3	9.1	0.5			**13.9**	***9.6***
Total (exc. Contingent budgets)	**407.6**	**439.1**	**142.8**	**62.9**	**13.4**	**1,065.6**	***658.1***
Contingent Budgets	0.6	24.6	31.0			**56.3**	***55.6***
Total Programme	**408.2**	**463.7**	**173.8**	**62.9**	**13.4**	**1,121.9**	***713.7***

7.30 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 2024/25 is highly ambitious.

7.31 The programme contains some contingent budgets reserved for a particular purpose, such as Education Basic Need funding and the budget for inflation pressures. These will be allocated when the individual schemes are approved through the Council's capital approval process.

8. Governance

8.1 The capital approval process was updated in 2023/24 to ensure it remains fit for purpose and reflects best practice. The changes 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 builds in a stronger approach to planning for place and has a greater focus on neighbourhoods and communities.

8.2 Key changes made include:

- Focus on Prioritisation
- Creation of Forward Plan
- Capital Project Initiation Form (due diligence template)
- Improved Place Focus
- Improvements to Project Governance

An outline of the approval process can be found in Appendix 1

8.3 The capital programme continues to be managed and updated on a rolling basis. 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 remain quarterly.

9. Capital Financing

9.1 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.

9.2 The Housing Revenue Account (HRA) is a restricted fund and can only be used to fund capital expenditure on HRA assets.

9.3 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

9.4 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, included elsewhere on this agenda.

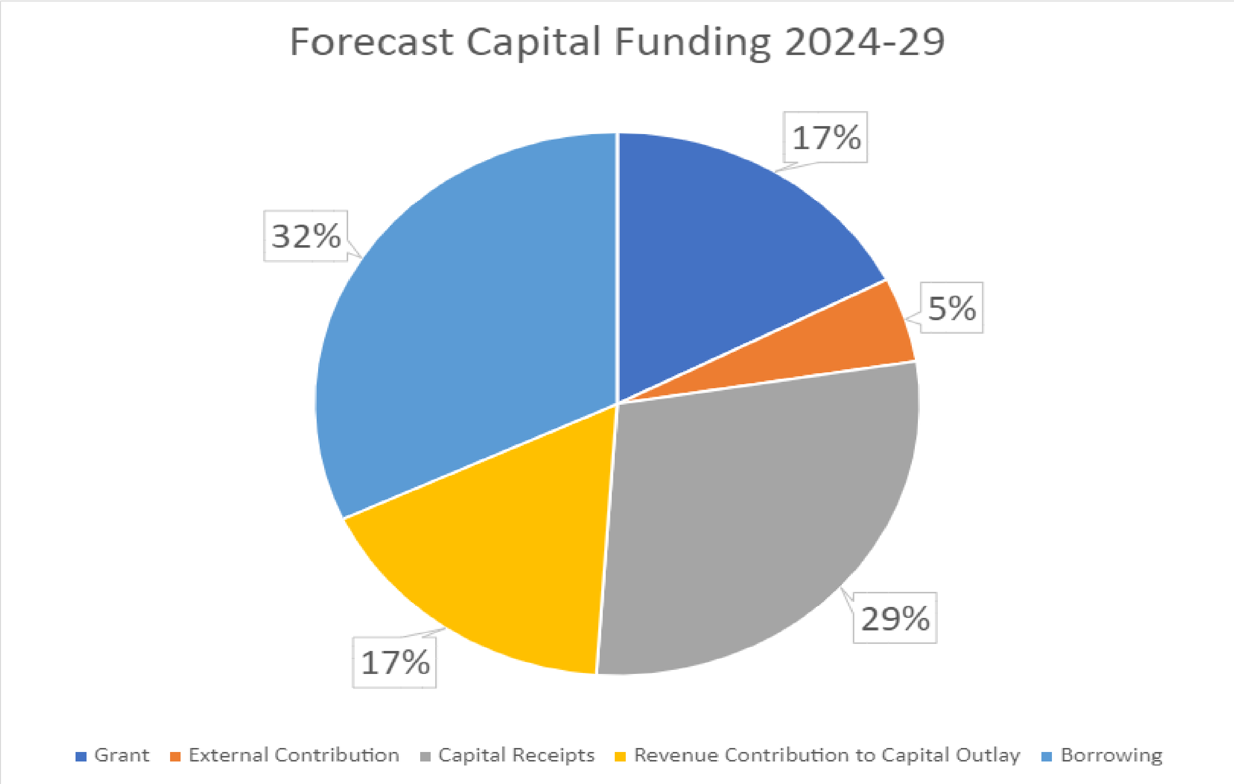
9.5 The estimated financing costs for the capital programme and existing debt have been calculated as part of the budget process. The proposed programme and the existing debt liabilities are affordable within the existing revenue budget. There is a finite level of borrowing that the Council can undertake 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.

9.6 Borrowing decisions are taken separately for the General Fund and HRA. For the HRA it is depreciation rather than MRP which is incurred.

9.7 The proposed funding for the programme across the forecast period is shown below:

	2023/24 forecast	**2024/25 forecast**	**2025/26 forecast**	**2026/27 forecast**	**Future Years**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Grant	119.7	87.0	37.5			**244.2**
External Contribution	20.9	29.5	2.6	3.9		**56.9**
Capital Receipts	42.8	116.7	54.5	33.0		**247.0**
Revenue Contribution to Capital Outlay	28.9	41.4	40.2	26.0	13.4	**149.9**
Borrowing	195.9	189.1	39.0			**424.0**
Total	**408.2**	**463.7**	**173.8**	**62.9**	**13.4**	**1,121.9**

9.8 The chart below shows the funding forecast for 2024-29, and highlights the required level of borrowing, as well as the reliance on external grants and contributions to fund capital activity.



9.9 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. Whilst the forecasts for future receipts are prudent, and based on the current expectations, they cannot be certain and are therefore subject to change. The implication of this is that, whilst the programme is forecast to be funded, should actual receipts fall below current expectations the programme would need to be reviewed. Given the importance, the monitoring of forecast capital receipts will be critical to the success of the capital strategy and will be monitored by officers throughout the financial year and reported to members as part the capital monitoring.

9.10 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 over the proposed Medium Term Financial Plan. The capital financing reserves will start to be drawn down to meet the costs associated with the borrowing by 2024/25. 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.

9.11 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.

9.12 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.

9.13 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 2023/24 programme.

10. Prudential Indicators

10.1 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.

11. Conclusions

11.1 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.

11.2 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.

11.3 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.

12. Contributing to a Zero-Carbon City

12.1 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.

12.2 For some projects, the aim of the investment will be to reduce the City's carbon impact, as noted above.

13. Contributing to the Our Manchester Strategy

(a) A thriving and sustainable city

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

(b) A highly skilled city

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

(c) A progressive and equitable city

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

(d) A liveable and low carbon city

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

(e) A connected city

13.5 Through investment in areas such as ICT and the City's infrastructure of road networks and other travel routes.

14. Key Policies and Considerations

(a) Equal Opportunities

14.1 The proposals have been drawn up in awareness of Council policy on equality.

(b) Risk Management

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

(c) Legal Considerations

14.3 None in this report.

Appendix 1 – the capital approval process

Capital Approval Process and Governance

1.1 As outlined in the Capital Strategy, the capital approval process was updated for 2023/24. The current process is shown below.

Checkpoint Overview

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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
14th February 2024 EXECUTIVE

Dept	Scheme	Funding	2023/24	2024/25	2025/26	Future	Total
			£'000	£'000	£'000	£'000	£'000
Council Approval Requests							
Highways Services	Investment Programme	Capital Receipts		15,000	15,000	15,000	45,000
Highways Services	Investment Programme	External Contribution		6,000			6,000
Highways Services	Investment Programme	Capital Receipts		500			500
Highways Services	Integrated Transport Block (ITB) Funding	External Contribution		1,585			1,585
Neighbourhoods	Neighbourhoods Infrastructure Renewal Fund	Borrowing		2,500	2,500		5,000
Neighbourhoods	Bridgewater Hall	Borrowing		1,143			1,143
Neighbourhoods	Homelessness Accommodation	Capital Receipts		5,622			5,622
Growth & Development	Asset Management Programme	Capital Receipts		15,000	15,000	15,000	45,000
Growth & Development	Strategic Acquisitions	Capital Receipts		15,432	3,000	3,000	21,432
Growth & Development	Support for the Oxford Road Corridor	Revenue Contribution to Capital		900	900	2,700	4,500
Growth & Development	Hammerstone Road Depot	Borrowing		4,700			4,700
Growth & Development	Carbon Reduction Programme 2024/25	Invest to Save Borrowing		10,250			10,250
Private Sector Housing	This City Housing Delivery Vehicle	External Contribution		1,997			1,997

Private Sector Housing	This City Housing Delivery Vehicle	Borrowing		-1,997			-1,997
Private Sector Housing	Housing Affordability Fund	External Contribution		-1,997			-1,997
Public Sector Housing	Social Housing Decarbonisation Fund	Capital Receipts			5,611	4,883	10,494
Public Sector Housing	Buying Back Former Council Properties	Capital Receipts		1,400	1,600		3,000
Public Sector Housing	Property Acquisitions	Capital Receipts	3,995	9,604	1,440		15,039
Adults	Shared Care Grant	Grants		2,000			2,000
Adults	Digital Alarms	Borrowing		1,000			1,000
Children's Services	Levenshulme High School for Girls – 2024 Expansion – Additional Costs	Capital Receipts	50	80			130
Children's Services	Manchester Communication Academy – 2024 Expansion – Additional Costs.	Capital Receipts	165	935			1,100
Total Council Approval Requests			**4,210**	**91,654**	**45,051**	**40,583**	**181,498**
Total Budget Adjustment Approvals			**4,210**	**91,654**	**45,051**	**40,583**	**181,498**

Please note that the additional budgets for 2023/24 are not included in the Capital Monitoring report for quarter 3, as they are new approvals.

Appendix 3 – Capital Budget 2023/24 to 2028/29

Project Name	23/24 Proposed Budget	24/25 Proposed Budget	25/26 Proposed Budget	26/27 Proposed Budget	27/28 Proposed Budget	28/29 Proposed Budget
Drainage	2,022	2070	0	0	0	0
Large Patching repairs	322	0	0	0	0	0
Patching Defect repairs	7061	720	806	0	0	0
Carriageway Resurfacing	7801	0	0	0	0	0
Footway schemes	4668	0	0	0	0	0
Carriageway Preventative	2135	0	0	0	0	0
Bridge Maintenance	1990	629	0	0	0	0
Other Improvement works	13	22642	16726	15000	0	0
Highways Maintenance Challenge Fund	708	0	0	0	0	0
Manchester/Salford Inner Relief Road (MSIRR)	2	0	0	0	0	0
Great Ancoats Improvement Scheme	8	25	0	0	0	0
Mancunian Way and Princess Parkway National Productivity Investment fund	31	0	0	0	0	0
Christie Extension Residents Parking Zone	71	0	0	0	0	0
Rusholme Residents Parking Zone	327	1	24	0	0	0
Green Bridge at Airport City	23	0	0	0	0	0
Chorlton Cycling Scheme	3538	414	423	0	0	0
Northern Quarter Cycling Scheme	1908	1,869	3	2,139	0	0
Manchester Cycleway	352	618	1550	0	0	0
Beswick Filtered Neighbourhood Development Costs	20	34	0	263	0	0
Levenshulme Acive Neighbourhood	1551	2950	313	0	0	0
Northern/Eastern Gateway Walking and Cycling scheme	1149	5527	97	2	0	0

Oldham Road Feasibility study	0	0	149	0	0	0
Bee Network Crossings	166	0	0	0	0	0
Parsonage Safer Streets	267	168	31	0	0	0
Active Travel Development Costs	543	2593	41	1481	0	0
Alan Turing Way Active Travel Fund	310	548	0	0	0	0
High Street - Fountain Street Active Travel Fund	64	10	0	0	0	0
Broadway Crossing Pedestrian Safety Scheme	28	1	0	0	0	0
School Crossings	77	4	0	0	0	0
Accident Reduction and Local Community Safety schemes	191	0	0	0	0	0
Charlestown Pedestrian Crossing Integrated Transport Block	1	149	0	0	0	0
Integrated Transport Block Funding	0	1585	0	0	0	0
Public Realm	529	260	143	0	0	0
Street Lighting PFI	99	644	0	0	0	0
Manchester College Crossing Improvements	141	0	0	0	0	0
Enterprise Car Club Bays	15	0	0	0	0	0
TfGM Bus Enhancements	2	0	0	0	0	0
Back George Street	23	0	0	0	0	0
Clean Air Zone Street Lighting	3	41	0	0	0	0
Traffic Free Deansgate Permanent Works	207	0	138	0	0	0
Restoration of Ordinary Water Course	147	198	0	0	0	0
40mph Speed Limit Reduction Programme	40	226	0	0	0	0
Security and Bollards	250	0	0	0	0	0
Rochdale Canal Improvement Works	179	29	0	0	0	0
Safer Streets - Manchester Cycleway	373	111	0	0	0	0
Ancoats Residents Parking Zone	189	33	0	0	0	0
Bus Pinch Point Tranche 1	40	225	0	0	0	0

Wilbraham Road Traffic Calming Feasibility	35	0	0	0	0	0
Area 37 - 20mph Signage	119	0	0	0	0	0
Speed Reduction Schemes	140	0	0	0	0	0
A34 Corridor 1	265	532	28	0	0	0
Bike Hangars	150	0	0	0	0	0
Ancoats Streets for All	293	100	0	0	0	0
Highways Development Funding Support	225	0	0	0	0	0
Total Highways Programme	**40,811**	**44,956**	**20,472**	**18,885**	**0**	**0**
Waste Reduction Measures	98	0	0	0	0	0
Waste Contract	207	0	0	0	0	0
Cremator and Mercury Abatement Plant Replacement Strategy	0	161	0	0	0	0
Off Street Car Parks post Joint Venture project	705	0	0	0	0	0
Chester Road Roundabout Advertising	700	869	0	0	0	0
Upgrade CCTV System	551	0	0	0	0	0
Refurbishment of Arndale House	236	0	0	0	0	0
Homelessness Accommodation	0	5622	0	0	0	0
Parks Development Programme	2145	1313	2733	0	0	0
Wythenshawe Hall Activation	49	0	0	0	0	0
Wythenshawe Cycling Hub	184	0	0	0	0	0
Angel Meadow	14	0	0	0	0	0
Highfield Park	150	0	0	0	0	0
Heaton park Orangery	26	1378	0	0	0	0
Cringle Park - Grounded Coffee	115	202	0	0	0	0
Neighbourhood Renewal Fund	5000	2500	2500	0	0	0
Heaton Park Overflow carpark	79	0	0	0	0	0
Parks Development Programme - Debdale park Redevelopment	101	0	0	0	0	0

Parks Development Programme - Fletcher Moss Croft Redevelopment	98	0	0	0	0	0
Parks Development Programme - Platt Fields Re-Development	98	0	0	0	0	0
Indoor Leisure - Abraham Moss	4185	272	0	0	0	0
Boggart Hole Clough - Visitors Centre	25	510	0	0	0	0
Mount Road	32	0	0	0	0	0
Mellands Playing Fields - Levenshulme	12	0	0	0	0	0
Gorton & Abbey hey Project	39	0	0	0	0	0
Hough End Master Plan - Strat Football Hub Development Costs	11273	0	0	0	0	0
Non-Turf Wickets - Parks & Playing Fields	30	0	0	0	0	0
Manchester Aquatics Centre	6058	2,833	63	0	0	0
National Cycling Centre	2287	40	0	0	0	0
P2R Platt Fields	130	0	0	0	0	0
Withington Baths Loan	922	0	0	0	0	0
Manchester Regional Area (MRA) Changing Rooms	83	0	0	0	0	0
Replacement of MRA Outdoor Track Floodlights	171	0	0	0	0	0
Citywide Tennis Improvements	444	0	0	0	0	0
Tennis and Football Pitch Replacement	196	0	0	0	0	0
Leisure Development Opportunity	214	0	0	0	0	0
Southwick Park Levelling Up Fund	130	0	0	0	0	0
Wythenshawe Park Football Pitches	70	455	0	0	0	0
Central Library Refresh	486	0	0	0	0	0
Open Libraries	80	110	0	0	0	0
Chorlton Library Refurbishment	13	583	0	0	0	0
Wythenshawe Forum Library	249	0	0	0	0	0
Library Refurbishment (City Wide)	256	0	0	0	0	0

Galleries Collection Housing & Remediation Works	4025	4,561	0	0	0	0
Library self-service equipment (RFID) and Refresh PCs	400	570	12	0	0	0
Bridgewater Hall Design Costs	58	1143	0	0	0	0
Total Neighbourhoods Programme	**42,424**	**23,122**	**5,308**	**0**	**0**	**0**
Aviva Studios home of Factory International	44,976	0	0	0	0	0
Public Realm	1,635	0	0	0	0	0
Fit out	7800	0	0	0	0	0
Total Cultural Programme Programme	**54,411**	**0**	**0**	**0**	**0**	**0**
Asset Management Programme	7,225	22,500	22,979	15,000	0	0
Early Years tendered daycare sites	1,015	945	0	0	0	0
Hammerstone Road Depot	14,934	12,573	0	0	0	0
Carbon Reduction Programme	1787	13,884	0	0	0	0
Public Sector Decarbonisation Scheme	11754	0	0	0	0	0
Changing Places Toilets	424	0	0	0	0	0
Estates Transformation	0	687	0	0	0	0
Estates Changes Arising from Future ways of working	64	0	0	0	0	0
Space Studios - Disposal Costs	42	0	0	0	0	0
Digital Asset Base - One Central Park	468	0	0	0	0	0
Strategic Acquisitions Programme	3161	15,432	3,000	3,000	0	0
Mayfield Park	90	0	0	0	0	0
Wythenshawe Town centre	216	0	0	0	0	0
Housing Infrastructure Fund	16000	21,600	328	0	0	0
Victoria North	2750	8145	0	0	0	0

Eastern Gateway - Central Retail Park	518	0	0	0	0	0
House of Sport	1671	0	0	0	0	0
Mcr Equipment and Adaptations Partnership relocation	27	0	0	0	0	0
Piccadilly Gardens - Phase 1	457	1673	0	0	0	0
Campfield Redevelopment	10870	6,512	0	0	0	0
HOME Arches	2110	783	0	0	0	0
Angel Meadow Land Acquisition	0	150	0	0	0	0
Back of Ancoats Mobility Hub & Public Rm	15400	15,600	4,240	0	0	0
Support for the Oxford Road Corridor	0	900	900	900	900	900
New Smithfield Market	297	0	0	0	0	0
Heron House & Registrars	703	0	0	0	0	0
Civic Quarter Heat Network	2861	0	0	0	0	0
Beswick Hub - Beswick Shops	82	0	0	0	0	0
Levenshulme railway station - Access for All	0	50	0	0	0	0
Shared Prosperity Fund - Communities and Place	778	3522	0	0	0	0
Shared Prosperity Fund - Manchester Local Business Prog	767	100	0	0	0	0
New Smithfield Market Redemption	248	0	0	0	0	0
Total Growth & Development Programme	**96,719**	**125,056**	**31,447**	**18,900**	**900**	**900**
Our Town Hall refurbishment	63,817	84497	22532	0	0	0
Total Town Hall Refurbishment Programme	**63,817**	**84,497**	**22,532**	**0**	**0**	**0**
Brunswick PFI Land Assembly	56	124	353	0	0	0
Collyhurst Land Assembly Ph1	0	29	0	0	0	0
Collyhurst Land Acquisitions Ph2	0	210	799	0	0	0

Eccleshall Street - 3 Sites	0	247	0	0	0	0
Private/Right To Buy - Acquisition/Completion/Relocation	0	1470	980	0	0	0
Miles Platting PFI Land Assembly	5	243	0	0	0	0
Disabled Facilities Grant	13,000	1,299	0	0	0	0
Bell Crescent	0	482	0	0	0	0
Homes and Communities Agency Empty Homes Cluster	300	444	0	0	0	0
Redrow Development Phase 2 onward	11	0	0	0	0	0
West Gorton Demolition and Commercial Acquisitions	10	336	904	0	0	0
Housing Market Renewal Fund	22	89	0	0	0	0
Extra Care	0	1245	1200	0	0	0
Moston Lane Acquisitions	0	0	7500	0	0	0
Equity Loans	0	397	0	0	0	0
Ben Street Regeneration	311	626	0	0	0	0
This City Housing Delivery Vehicle	13400	32,175	0	0	0	0
Housing Affordability Fund	399	6964	0	0	0	0
Sprinkler Systems – Tower Block PFIs Private	0	95	52	0	0	0
Home Upgrade Grant 2	1420	5560	3420	0	0	0
Total Private Sector Housing Programme	**28,934**	**52,035**	**15,208**	**0**	**0**	**0**
Improvements to Homeless accommodation city wide	0	0	14	0	0	0
Plymouth Grove Women's Direct Access Centre	0	0	28	0	0	0
Harpurhey Monsall Estate (Excluding High Rise and 40 properties around Cannons Grove)	0	100	265	0	0	0
Harpurhey - Monsall Multis Internal Works	101.2	0	131	0	0	0

Cheetham Halliwell Lane Estate Internal Works	0	116	100	0	0	0
Newton Heath Estates Internal Works	750	55	300	0	0	0
Improvements to Homeless Accommodation Phase 2	30.212	48	0	0	0	0
New Lightbowne Estate Halliford & Thorverton	0	94	0	0	0	0
Ancoats Smithfield Estate Internal Works	0	163	50	0	0	0
Harpurhey Shiredale Estate (Including Replacement Floors)	8	107	0	0	0	0
ERDF Heat Pumps	1350	49	0	0	0	0
Charlestown Clifford Lamb Court Reroofing	10	0	0	0	0	0
Woodward Court reroofing	0	39	0	0	0	0
Higher Blackley South Estate Internal Works	2	114	200	0	0	0
Newton Heath - Multies Internal Works	0	0	201	0	0	0
Various - Bradford/Clifford Lamb/Kingsbridge/Sandyhill Court Internal Works	0	28	0	0	0	0
Charlestown - Rushcroft/Pevensey Court Internal Works	11.613	18	0	0	0	0
Higher Blackley Central House Door Entry System	0	0	16	0	0	0
Newton Heath Troydale and Croyden Drive Low Rise Estates	0	0	143	0	0	0
Moston Corrolites external work	0	28	0	0	0	0
Environmental improvements Moston corrolites	22	0	0	0	0	0
Rushcroft and Pevensey Courts Ground Source Heat Pumps	4	51	0	0	0	0
Responsive Investment Works	6	0	394	0	0	0
Individual Gas Boiler Replacement Programme	355	835	0	0	0	0

Monston New Moston Estates Internal Works	400	500	500	1073	0	0
Higher Blackley North Estate Int Works Phase 1	200	600	600	2070	0	0
Higher Blackley North Estate Int Works Phase 2	400	600	600	1010	0	0
Bradford Court enclosed platform lift	0	95	0	0	0	0
Moston Bradford & Charleston Whitebeck	138	8	0	0	0	0
Charleston Victoria Ave HR Blocks Lift	0	300	1029	588	1199	0
Collyhurst High Rise Lift Programme	0	300	775	1015	405	0
Harpurhey Kingsbridge Court Gas Boiler	0	0	977	800	0	0
Charlestown - Rushcroft/Pevensey Courts Lift Refurb	328	75	0	0	0	0
ENW distribution network phase 4 (various)	0	25	50	50	0	0
Riverdale Sandyhill Court Various Works	0	0	750	1510	0	0
Retaining Walls	180	803	0	0	0	0
New Build Bungalows - Rectification Work	0	0	0	150	0	0
Charlestown - Victoria Ave multistorey window replacement and ECW - Phase 1	1044	0	1045	0	0	0
Responsive Investment Works	0	500	0	0	0	0
Various Estate based environmental works	0	0	387	0	0	0
Adaptations	3019	900	0	0	0	0
Various Locations - bringing bedsits back into use	300.928	165	0	0	0	0
Clifford Lamb Remedial Works	100	1200	1700	600	0	0
Roach Court Roof Replacement works	0	565	0	0	0	0
Sprinkler Programme	0	75	0	0	0	0
Strategic Voids	0	120	230	0	0	0

Fire Risk Assessments	1804	2,066	1,655	0	0	0
Collyhurst - Mossbrook/Roach/Vauxhall/Humphries Court Internal Works	0	0	27	0	0	0
Woodward Court lift replacement	0	0	434	0	0	0
Woodward Court external concrete repairs and Enveloping	200	500	3400	0	0	0
Anita/ George Lee Street / Ancoats Balconies	194	0	0	0	0	0
External cyclical works ph 3b Ancoats Smithfields estate	0	240	0	0	0	0
Whitemoss & Cheetham Hill Office Toilets	0	0	100	0	0	0
External Fees	0	250				
Contingency	0	106				
Stock Condition	50	450	240	0	0	0
Compliance data system	0	0	65	0	0	0
Kitchen and Bathrooms	6	0	0	0	0	0
Newton Heath Duncan Edwards Court	0	42	0	0	0	0
West Gorton Balconies	162	188	0	0	0	0
One Off type work - rewires/boilers/doors	400	500	0	0	0	0
Installation of Carbon Monoxide Monitors	490	0	0	0	0	0
Delivery Costs	1700	2559	0	0	0	0
Delivery Costs	0	614	0	0	0	0
Delivery Costs	82	0	0	0	0	0
Delivery Costs	125	0	0		0	0
Retirement blocks various M&E/H&S works	-8	0	0	0	0	0
Public Sector Housing Programme - Unallocated	9	0	0	0	0	0
Voids - Social Housing Decarbonisation Fund	0	197	0	0	0	0

Boiler replacement programme - Social Housing Decarbonisation Fund	1421	4000	4000	4000	4000	3274
Riverdale Maisonettes	134	1000	1523	0	0	0
Newton Heath High Rise Blocks Improvements	675	9222	11393	4883	0	0
Ancoats Anita St/ George Leigh St Estate	1	0	0	0	0	1427
Monsall High Rise Blocks Various Works	78	500	2000	3000	1252	0
Social Housing Decarbonisation Fund - Programme Level	400	600	900	300	0	0
Public Sector Housing ICT Work	2623	981	0	0	0	0
Buying Back Former Council Properties	0	1400	1600	0	0	0
Property Acquisitions	3995	9604	1440	0	0	0
Collyhurst Maisonette Compensation & Dem	480	0	261	200	0	0
Buy Back Properties - Right to Buy	55	0	0	0	0	0
North Manchester New Builds	23	0	0	0	0	0
North Manchester New Builds 3	3006	405	0	0	0	0
Construction of Social Homes & Assoc PR	7437	20,531	3,603	1,000	0	0
Relocation/Acq/Comp/Dem Costs - Public	0	225	225	0	0	0
Collyhurst Regeneration Programme - Delivery Support	0	0	993	2700	0	0
Sprinkler Systems – Tower Block PFIs Public	400	1953	1510	151	0	0
Local Authority Housing Fund	9175	0	0	0	0	0
Total Public Sector Housing (HRA) Programme	**43,877**	**66,809**	**45,854**	**25,100**	**6,856**	**4,701**
Coop North Expansion	133	0	0	0	0	0

Co-op Academy Belle Vue - Permanent	2424	0	0	0	0	0
Co-op Academy Belle Vue - Early Opening	0	0	0	0	0	0
Our Lady's RC Permanent Expansion	46	0	0	0	0	0
Melland High School Expansion (SEN Grant)	1544	0	0	0	0	0
The Barlow RC High School - Resource Provision	756	0	0	0	0	0
City Centre School	5083	0	0	0	0	0
Manchester Secondary PRU	126	0	0	0	0	0
Manchester Academy School Bulge Class	17	0	0	0	0	0
Dixons Brooklands Academy	50	0	0	0	0	0
SEND Expansions	16	0	0	0	0	0
Pioneer House	1882	1118	0	0	0	0
William Hulme's Grammar School	500	2100	0	0	0	0
Burnage High School for Boys Expansion	500	620	0	0	0	0
Manchester Communication Academy Expansion	255	0	0	0	0	0
Rushbrook Primary Academy - 2024 SEN Unit	100	435	0	0	0	0
Our Lady's RC High School 2024 Expansion	1000	2043	0	0	0	0
Manchester Communication Academy 2024 Expansion	1565	6935	1000	0	0	0
The East Manchester Academy 2024 Expansion	1000	2712	0	0	0	0
Levenshulme High School for Girls – 2024 Expansion	900	1730	0	0	0	0
Chorlton High School 2024 Expansion	1000	3200	0	0	0	0
Basic need - unallocated funds	0	2136	23534	0	0	0
The Birches Special School Roof	353	0	0	0	0	0

St. Agnes CE Primary Structural Repairs	2318	0	0	0	0	0
Broad Oak Primary School Hall/Dining Room Roof	253	0	0	0	0	0
CharlestownCommunity Primary School Remedial Works	43	0	0	0	0	0
Baguley Primary Electric Rewire Phase 2	50	0	0	0	0	0
Medlock Primary School New Fence	2	0	0	0	0	0
Chapel Street Primary School Entrance Atrium	0	514	0	0	0	0
New Moston Kitchen	1857	0	0	0	0	0
Birchfields Fire Doors	93	0	0	0	0	0
Moston Fields Ph1 floor repairs	0	22	0	0	0	0
Rack House Heating System	66	0	0	0	0	0
Peel Hall fire doors and lighting	253	0	0	0	0	0
Peel Hall Roof repairs ph 1	629	0	0	0	0	0
Birches Schools Heating system	480	0	0	0	0	0
Schools Capital Maintenance - unallocated	0	323	0	0	0	0
Special Educational Needs (SEN) grant	638	0	0	0	0	0
Piper Hill Expansion SEN Grant	18	0	0	0	0	0
Grange School Expansion SEN Grant	20	0	0	0	0	0
Varley Street SEND Secondary School	3200	14357	400	0	0	0
Universal Infant Free School Meals (UIFSM) - Allocated	2	0	0	0	0	0
Early Education for Two Year Olds - Unallocated	5	0	0	0	0	0
Acquisition of land at Hyde Road	27	0	0	0	0	0
Lyndene Children's Home Refurbishment	108	0	0	0	0	0
MCMA Completion works	165	0	0	0	0	0
Take a Breath	250	57	0	0	0	0

Refurbishment of 382 Wythenshawe Rd	205	0	0	0	0	0
Family Hubs	279	0	0	0	0	0
Total Children's Services Programme	**30,211**	**38,302**	**24,934**	**0**	**0**	**0**
Network Refresh Programme	1815	2304	15	0	0	0
Technology Enabled Care Digital Platform	19	0	0	0	0	0
Platform Compliance	1	0	0	0	0	0
Security Software Upgrade	72	0	0	0	0	0
Future Council Infrastructure Implementation – Hybrid Cloud Programme	389	0	0	0	0	0
Council Chamber AV Equipment	20	500	0	0	0	0
ICT Investment Plan	365	21	0	0	0	0
Meeting Room AV Project	57	56	0	0	0	0
Total ICT Programme	**2,738**	**2,881**	**15**	**0**	**0**	**0**
Phase 1 Implementation - Locality Plan Programme Office	76	0	0	0	0	0
Integrated Working - Gorton Health Hub	909	0	0	0	0	0
Elizabeth Tower GP Surgery	2600	0	0	0	0	0
Digital Alarms	0	1000	0	0	0	0
Shared Care Grant	0	2000	0	0	0	0
HR and Finance System Replacement project	694	0	0	0	0	0
Voluntary, Community, Social Enterprise Small premises works	0	500	500	0	0	0
Inflation	0	22510	7500	0	0	0
Total Corporate Capital Programme	**4,279**	**26,010**	**8,000**	**0**	**0**	**0**

Total Capital Programme	**408,221**	**463,668**	**173,770**	**62,885**	**7,756**	**5,601**

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Manchester City Council
Report for Resolution

Report to:	Executive – 14 February 2024 Resources and Governance Scrutiny Committee – 26 February 2024 Council – 1 March 2024
Subject:	Treasury Management Strategy Statement 2024/25, 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 2024/25 and Prudential Indicators for 2024/25 to 2026/27.

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 Resources 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 A;
- MRP Strategy outlined in Appendix B;
- Treasury Management Policy Statement at Appendix C; and
- Treasury Management Scheme of Delegation at Appendix D

(2) Delegate to the Deputy Chief Executive and City Treasurer, in consultation with the Executive Member for Finance and Human Resources, the power to pursue any restructuring, rescheduling or redemption opportunities available, including amendments to the Treasury Management Strategy if the changes require it. Any changes required to the Strategy will be reported to members at the earliest opportunity.

Wards Affected - All

Environmental Impact Assessment - the impact of the decisions proposed in this report on achieving the zero-carbon target for the city	Treasury Management activity underpins the Council's finances, and therefore supports projects and initiatives which seek to achieve the Council's zero carbon target.
Equality, Diversity and Inclusion - the impact of the issues addressed in this report in meeting our Public Sector Equality Duty and broader equality commitments	N/A

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 (c. £44.9m p.a.), 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 2024/25 - 2026/27 report to Executive 14 February 2024
- 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 2024/25

1.6 The suggested strategy for 2024/25 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 2024/25 to 2026/27
Section 5: Impact of 2012 HRA reform
Section 6: Current Portfolio Position
Section 7: Debt Position and Sector Comparison
Section 8: Prospects for Interest Rates
Section 9: Borrowing Requirement
Section 10: Borrowing Strategy
Section 11: Annual Investment Strategy
Section 12: Non-Treasury Investments and Liabilities

Section 13: Skills and Knowledge
Section 14: Scheme of Delegation
Section 15: Role of the Section 151 Officer
Section 16: Minimum Revenue Provision (MRP) Strategy
Section 17: Recommendations

Appendix A: Prudential and Treasury Indicators for approval
Appendix B: MRP Strategy
Appendix C: Treasury Management Policy Statement
Appendix D: Treasury Management Scheme of Delegation
Appendix E: The Treasury Management Role of the Section 151 Officer
Appendix F: Economic Background – Link Asset Services
Appendix G: Prospects for Interest Rates
Appendix H: Glossary of Terms
Appendix I: Treasury Management Implications of HRA Reform

2. CIPFA Definition of Treasury Management

2.1 Treasury management is defined by CIPFA as:

‘The management of the organisation’s borrowing, investments and cash flows, including its banking, money market and capital market transactions, the effective control of the risks associated with those activities, and the pursuit of optimum performance consistent with those risks.’

3. Statutory and other requirements

Statutory requirements

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

3.2 The Act therefore requires the Council to set out its treasury strategy for borrowing, and to prepare an Annual Investment Strategy. This report sets out the Council’s treasury management strategy and is consistent with the current CIPFA Treasury Management Code of Practice.

3.3 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.

Balanced Budget Requirement

3.4 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 2024/25 to 2026/27

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 2024/25 is noted in Appendix A of this report.

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

5. The Housing Revenue Account – Impact of 2012 HRA Reform

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

5.2 The Treasury Management Strategy for 2013/14 was the first to incorporate the split of the Council's debt portfolio following the HRA debt settlement of March 2012 which ended the previous subsidy system. 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 has been refinanced with longer 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 2024 is:

Table 1	**Principal**			**Av Rate**
	GF	HRA	**Total**	
	£'m	£'m	**£'m**	%
Long Term Borrowing				
PWLB	755.0	0.0	**755.0**	3.31
Market	330.0	60.7	**390.7**	4.44
Stock	0.9	0.0	**0.9**	4.00
SALIX	3.1	0.0	**3.1**	0.00
HCA	8.5	0.0	**8.5**	0.00
	1,097.5	60.7	**1,158.1**	
Short Term Borrowing				
Other	121.6	0	**121.6**	5.28
Gross Debt	1,219.1	60.7	**1,279.8**	
External Investments	(80.1)	0.0	**(80.1)**	5.33
Internal Balances (GF/HRA)	71.2	(71.2)	0	0.0
Net Debt	1,210.2	(10.5)	**1,199.7**	

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

6.4 The Council's debt is comparatively high in absolute terms 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 to ensure that debt levels are 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 drawing down 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:

	2023/24	**2024/25**	**2024/25**	**2025/26**	**2026/27**
	£'m				
Opening CFR	1,956,934	2,062,376	2,186,133	2,310,933	2,265,789
New Borrowing	142,424	164,136	167,442		
Additional long-term liabilities [1]	808	737	1,342	1,594	1,725
MRP	(37,790)	(41,116)	(43,984)	(46,738)	(46,532)
Closing CFR	**2,062,376**	**2,186,133**	**2,310,933**	**2,265,789**	**2,220,982**

6.7 The Capital Financing Requirement of the City Council as at 31st March 2024 is forecast to be c. £2.06bn. The difference between this and the actual gross debt of the Council is c. £0.8n 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. However, as reserves are used, either for capital or revenue spend, and as the CFR increases the level of external debt will increase, and therefore interest costs are likely to rise.

[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.

6.8 Around £310.0m of the outstanding debt consists of Lender Option Borrower Option (LOBO) loans. LOBO loans have options on specific dates that allow the lender to change the interest rate (the lender option), and the borrower can choose to repay the loan if the new rate is unacceptable (the borrower option). The loans have interest rates above 4%, and therefore over the last decade no lender has sought to exercise their option. However, there is a risk that should rates persist at relatively high levels or continue to rise, that lenders could seek to exercise the options, which would represent a refinancing risk to the Council where interest rates could increase on this proportion of debt.

6.9 The portfolio at 31st March 2024 includes Council Stock debt with a value of £0.9m. This Stock debt is attributable to the irredeemable class of stock where stockholders have not taken up the Council's redemption offer made in 2017/18.

7. Debt Position and Sector Comparison

7.1 The CFR and external debt noted above reflect the significant investment made by the Council over time, and remain affordable within the forecast medium term financial plan. However, a number of local authorities have, in recent times, issued Section 114 notices in part because of investment and debt decisions which caused significant additional pressure to revenue budgets.

7.2 Manchester's indebtedness is comparatively high in nominal terms, as it has the 9th highest level of debt of English local authorities, excluding combined authorities and the GLA. However, the ratio of debt to net revenue is 48th amongst English local authorities and the debt per resident is c. £2,050, or 131st.

7.3 OFLOG's Local Authority Data Explorer includes two metrics relating to capital expenditure: debt servicing costs as a percentage of core spending power (12.5%), and total debt as a percentage of core spending power (324.1%). For both metrics Manchester is higher than the median for similar English authorities (9.0% and 226.7% respectively), but it is not an outlier. However, this does mean that the ability to borrow in the future to support major schemes is significantly restricted.

7.4 The affordability of the capital programme and the associated capital financing costs is monitored throughout the financial year, so that any risks can be tackled and mitigated as soon as they become apparent, and to try and ensure that the impact on the Council's revenue budget can be minimised as much as possible. The sustainability of investment and debt therefore forms a significant part of the Council's financial management.

8. Prospects for Interest Rates

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

- 2024: 5.25%
- 2025: 3.75%
- 2026: 3.00%

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

8.3 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. Future borrowing decisions will be made with a view to keeping the debt portfolio balanced between fixed and variable debt.

9. Borrowing Requirement

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

Table 2	**2024/25**	**2025/26**	**2027/28**
	£'m	**£'m**	**£'m**
	estimate	**estimate**	**estimate**
Planned Capital Expenditure funded by Borrowing	189.1	39.0	0.0
Change in Grants & Contributions	45.7	3.1	
Change in Capital Receipts	26.8	0.4	(8.1)
Change in Reserves	71.7	62.6	51.7
MRP Provision	(40.2)	(43.1)	(46.3)
Refinancing of maturing debt (GF)	100.9	140.7	145.0
Refinancing of maturing debt (HRA)	0.0	0.0	0.0
Movement in Working Capital	-50.0	103.6	
Estimated Borrowing Requirement	**344.0**	**306.3**	**142.3**
Funded by:			
GF	100.9	140.7	145.0
HRA	0.0	0.0	0.0

10. Borrowing Strategy

General Fund

10.1 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.

10.2 Under the Prudential Code, the Council must make an annual revenue provision for the repayment of debt, called the minimum revenue provision (MRP), and the policy on MRP is included as an appendix to this report. When the Council borrows debt externally, this is usually for a fixed period of time with a set maturity date for when the debt is repaid. MRP 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 each year to provide the cash available for when the associated debts are repaid. The DLUHC 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 valuer's recommendations on maximum useful lives:

- Land: 50 years
- Property: 50 years
- Highways: 25 years
- ICT: 5 years

10.3 The Council's borrowing strategy and profile of actual debt repayments will utilise the annual MRP it is required to make to reduce debt, as if it is. not used to reduce external debt it is held as cash 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.

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

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

10.6 The Council has a fixed capital financing budget, currently c. £44.9m p.a., to fund interest costs. Any underspends against this budget are used to build up the Capital Financing and Capital Fund reserve, reflecting the impact of internal borrowing allowing the Council to save interest through deferring external borrowing until future years. As the capital programme is reaching maturity and with the use of reserves increased, the level of external debt is increasing, and the existing reserves will be used to mitigate the impact on the revenue budget.

Housing Revenue Account

10.7 The Council's proposed capital budget for 2024/25 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 2024/25 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.

10.8 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.

10.9 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

10.10 The overall forecast for long-term borrowing rates is that they are expected to fall gradually during 2024/25 and will continue to fall in future years but not to 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.

10.11 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. Discounted rates are available for housing schemes and infrastructure projects.

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

Table 3	**Mar 24**	**Jun 24**	**Sep 24**	**Dec 24**	**Mar 25**	**Dec 25**	**Mar 26**	**Dec 26**
	%							
Bank Rate	5.25	5.25	4.75	4.25	3.75	3.00	3.00	3.00
5 yr PWLB rate	4.50	4.40	4.30	4.20	4.10	3.70	3.60	3.50
10 yr PWLB rate	4.70	4.50	4.40	4.30	4.20	3.90	3.80	3.70
25 yr PWLB rate	5.20	5.10	4.90	4.80	4.60	4.20	4.20	4.10
50 yr PWLB rate	5.00	4.90	4.70	4.60	4.40	4.00	4.00	3.90

A more detailed forecast from Link, the Council's treasury management advisers, is included in Appendix G to this report.

- **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.

- **UKIB (UK Infrastructure Bank)**

The UK Infrastructure Bank is a government-owned policy bank launched in June 2021, focused on increasing infrastructure investment across the United Kingdom. UKIB mission is to partner with the private sector and local government to increase infrastructure investment in pursuit of our two strategic objectives:

- to help tackle climate change, particularly meeting the government's net zero emissions target by 2050
- to support regional and local economic growth through better connectedness, opportunities for new jobs and higher levels of productivity.

UKIB offers loans to local authorities for infrastructure projects with terms of up to 50 years, with current pricing offer lower than PWLB in most cases. UKIB has issued loans to other local and combined authorities in the past year, and the Council will continue to monitor the UKIB's offer as a competitive option for future borrowing.

10.12 These types of borrowing will need to be evaluated alongside their availability, particularly whilst there is a very limited availability of traditional market loans. Other options, such as the European Investment Bank or the UK Municipal Bond Agency would also be considered.

Sensitivity of the forecast

10.13 In normal circumstances the main sensitivities are likely to be the two scenarios noted below. Council officers in conjunction with the treasury advisors will continually monitor the prevailing interest rates and the market forecast, adopting the following responses to a change of sentiment:

- ***If it were felt that there was a significant risk of a sharp FALL in long- and short-term rates****,* e.g. due to a marked increase of risks around relapse into recession or of risks of deflation then long-term borrowings will be postponed.

- ***If it were felt that there was a significant risk of a much sharper RISE in long and short term rates than that current forecast****,* perhaps arising from a greater than expected increase in world economic activity or a sudden increase in inflation risks, the portfolio position will be re-appraised. The likely action will be that fixed rate funding will be drawn whilst interest rates remain relatively cheap.

External v. Internal borrowing

10.14 The current borrowing position reflects the historic strong Balance Sheet of the Council as highlighted in Section 6. The policy remains to keep cash as low as possible and minimise temporary investments. Whilst interest rates are forecast to start falling back, they are not expected to return to the historic lows seen in recent years. At Appendix F there is an in-depth analysis of economic conditions provided by Link Asset Services, the Council's independent treasury advisors.

10.15 In this context, the strategy is to maximise internal borrowing and if and when borrowing is required to minimise the Council's exposure to higher rates by borrowing over a short period and refinancing when rates are expected to have fallen. Consideration will also be given to forward fixing rates if rates are favourable, however this has not been exercised given recent high rates.

10.16 Against this background caution will be adopted within 2024/25 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

10.17 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.

10.18 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.
- The total amount of borrowing in advance should not exceed the Council's forecast CFR for the third year of the approved capital programme.

Forward Fixing

10.19 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

10.20 It is likely that opportunities to reschedule debt in the 2024/25 financial year will be limited due to prevailing debt interest rates being relatively similar to existing debt.

10.21 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.

10.22 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)

10.23 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.

10.24 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.

11. Annual Investment Strategy

HRA

11.1 In order to maintain efficient, effective and economic treasury management for the Council as a whole, the HRA will only be able to invest with the General Fund. This is discussed further in Appendix I.

General Fund

Introduction

11.2 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.

11.3 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.

11.4 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 to third parties if this supports the achievement of the Council's strategies and service objectives.

11.5 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

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

11.7 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.

11.8 In line with the policy adopted in this strategy in previous years, options to diversify the investment portfolio are reviewed by officers and will be introduced into the investment portfolio provided they support the investment policy, and do not introduce unacceptable levels of risk to the Council.

Specified and Non-Specified Investments

11.9 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.

11.10 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 glossary attached in the appendices.

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	UK Government backed	In-house

[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.

[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.

Facility		
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

11.11 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

11.12 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.

11.13 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.

11.14 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.

[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.

11.15 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

11.16 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.

11.17 The financial investment limits of financial institutions will be linked to their short and long-term ratings (Fitch or equivalent) as follows:

Long Term	Amount
Fitch AA+ and above	£20 million
Fitch AA/AA-	£15 million
Fitch A+/A	£15 million
Fitch A-	£10 million
Fitch BBB+	£10 million

The Council will only utilise those institutions that have a short-term rating of F2 or higher, (Fitch or equivalent).

UK Government (including the Debt Management Office)	£200 million
Greater Manchester Combined Authority	£200 million
Other Local Authorities (inc. pension funds)	£20 million

11.18 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

11.19 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

11.20 The Council 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

11.21 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.

11.22 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.

11.23 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.

Liquidity

11.24 Based on cash flow forecasts, the level of cash balances in 2024/25 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

11.25 Link's view of the forecast Bank Rate is noted at Section 9. Link's view is that the Bank Rate will fall during 24/25, following a period of increases in Bank of England rate to tackle inflationary pressures.

11.26 As interest rates have risen, investment rates have increased although there has been a lag following the Bank of England rate rises on some investment instruments. The level of funds available is mainly dependent on the timing of precept payments, the receipt of grants, progress on the capital programme, and working capital. There will remain a potential cost of carry to any new borrowing which causes an increase in investments as this could incur a revenue loss between borrowing costs and investment returns.

11.27 The council will continue to look for opportunities to invest in the short term whilst investment rates are favourable, whilst being in line with cash flow need and within the risk parameters set by the Council.

11.28 For 2024/25 the Council target for investment return on investments placed during the financial year is SONIA. SONIA represents the overnight rate of interest banks pay to borrow sterling overnight, unsecured, from other financial institutions. 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.

11.29 The SONIA rate will also be applied to any transfer rates between the General Fund and the HRA, further details are outlined in Appendix I. Treasury Management will apply mitigating changes to the transfer rates if the benchmark rates were to go into negative territory.

End of year Investment Report

11.30 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

11.31 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.

11.32 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.

12. Non-Treasury Investments and Liabilities

12.1 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.

12.2 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

12.3 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.

12.4 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

12.5 The Council has the current historic investments on the balance sheet as at 31st March 2023:

	Value as at 31/3/23
	£m
Long-term debtors	505.5
Long-term investments	161.4
Investment Property	537.4
Total	**1,204.3**

12.6 Long-term debtors are loan finance provided by the Council, including the loans to Manchester Airport (£410.0m), Private Finance Initiative prepayments (£20.1m), Manchester Heat Network (£14.5m) and Manchester College (£8.2m). These loans are regularly reviewed and would be impaired if there was a risk of default.

12.7 Long-term investments are equity investments held including Manchester Airport (£112.4m), a car park at Manchester Airport (£4.3m), Destination Manchester (£10.2m) which is the Council's investment in Manchester Central, Manchester Science Park (£6.2m), Mayfield Developments (£7.2m) and Manchester Heat Network (£6.6m). Investments are valued on an annual basis.

12.8 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.

12.9 The capital programme contains the following which will create either long-term debtors, investments or investment properties:

- 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.

12.10 There may be other projects which become capital investments, such as to support the Eastern Gateway and Victoria North.

12.11 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.

12.12 Where investments provide a return through interest or dividends this can be used to support the revenue budget. For example, in 2023/24 c. £1.1m 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.

12.13 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

12.14 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.

12.15 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.

12.16 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.

12.17 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.

12.18 The outcome of the consultation also requires local authorities to only invest within their economic area.

13. Skills and Knowledge

13.1 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.

13.2 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".

14. Scheme of Delegation

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

14.2 Under the Council's constitution, the Section 151 officer for the Council has delegated responsibility to make all decisions on borrowing, investment or financing on behalf of the Executive, acting in accordance with Prudential Code and the Council's treasury management strategy.

14.3 Given the volatility in financial markets, and in particular the interest rates, there may be circumstances where the Section 151 officer agrees to seek debt within a range of rates and/or a range of periods, with the final decision on rate or term being taken by an officer within the treasury management team provided the terms are within any such ranges. All borrowing decisions will be reported to members in subsequent treasury management update reports.

15. Role of the Section 151 Officer

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

16. Minimum Revenue Provision (MRP) Strategy

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

17. Recommendations

17.1 Please see the start of the report for the list of recommendations.

18. Contributing to a Zero-Carbon City

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

19. Contributing to the Our Manchester Strategy

19.1. 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.

20. Key Policies and Considerations

(a) Equal Opportunities

20.1. None.

(b) Risk Management

20.2. 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

20.3. None.

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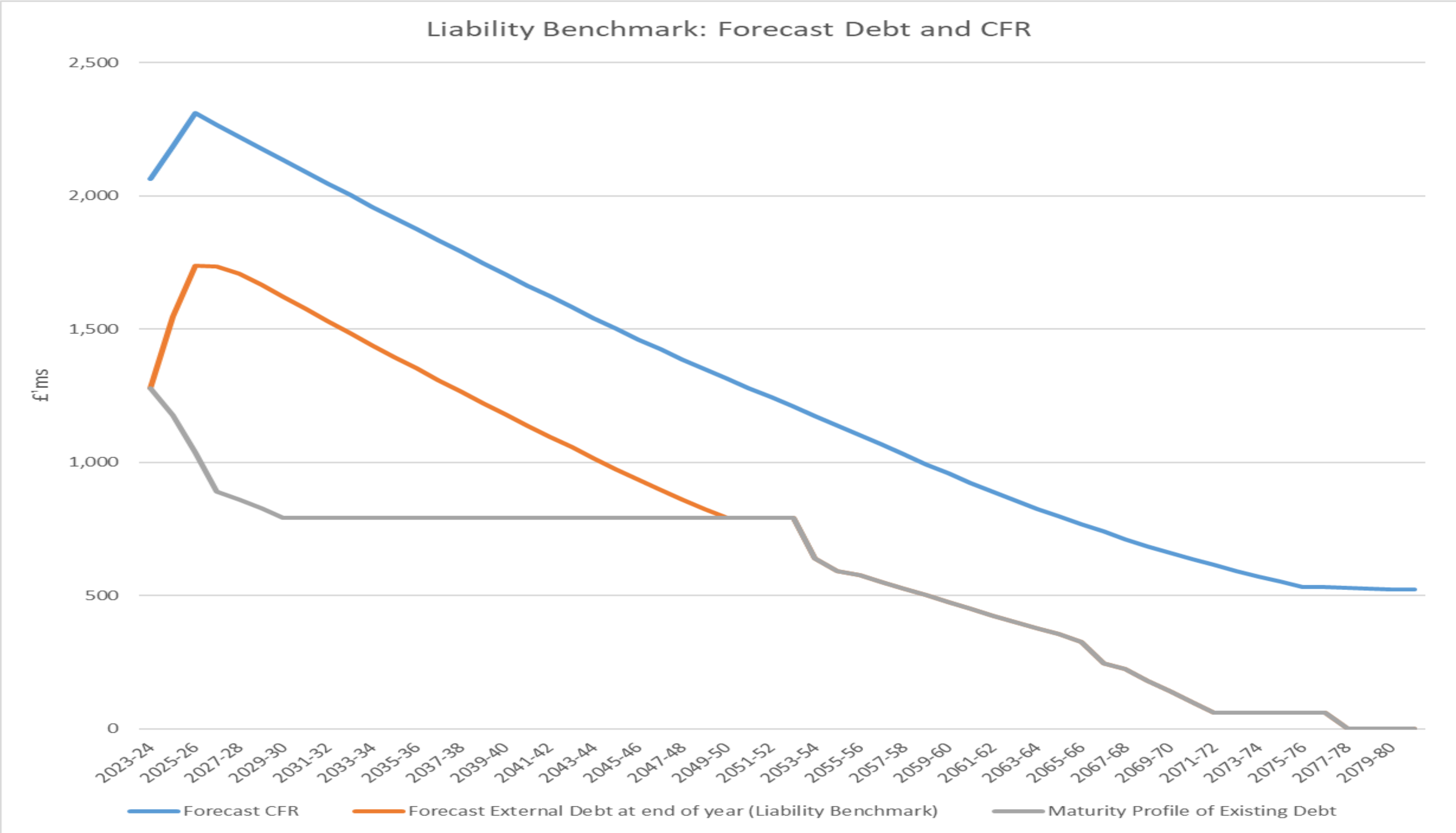
<u>Appendix A</u>
Prudential and Treasury Indicators for approval



Please note last years approved figures are shown in brackets.

	Treasury Management Indicators	2024-25		2025-26		2026-27
		%		%		%
1	**Estimated Financing Costs to Net Revenue Stream**[1]	5.42		5.45		5.33
2	**Estimated Net Income from Commercial and Service Investments to Net Revenue Stream**	9.9		8.1		7.7
		£m		£m		£m
3	**Authorised Limit - external debt**					
	Borrowing	2,180.6	(1,811.9)	2,185.6	(1,811.9)	2,185.6
	Other long-term liabilities	190.0	(190.0)	190.0	(190.0)	190.0
	TOTAL	2,370.6	(2,001.9)	2,375.6	(2,001.9)	2.375.6
4	**Operational Boundary - external debt**					
	Borrowing	1,828.1	(1,726.3)	1,981.4	(1,728.1)	2,088.1
	Other long-term liabilities	190.0	(190.0)	190.0	(190.0)	190.0
	TOTAL	2,018.1	(1,916.3)	2,171.4	(1,918.1)	2,278.1
5	**Estimated external debt**	1,623.8	(1,611.0)	1,826.6	(1,613.3)	1,968.9
6	**Upper limit for total principal sums invested for over 364 days**	0	(0)	0	(0)	0
7	**Estimated Capital Expenditure**					
	Non - HRA	396.9	(155.7)	127.9	(22.5)	37.8
	HRA	66.8	(43.7)	45.9	(11.6)	25.1
	TOTAL	463.7	(199.4)	173.8	(34.1)	62.9
8	**Estimated Capital Financing Requirement (as at 31 March)**					
	Non – HRA	1,883.6	(1,893.7)	2,007.1	(1,845.4)	1,960.3
	HRA	302.5	(322.5)	303.9	(323.9)	305.5
	TOTAL	2,186.1	(2,216.2)	2,311.0	(2,169.3)	2,265.8

[1] Note that for 2024-25 onward these are based on estimated net revenue budgets.

9	**Maturity structure of borrowing during 2024-25**	Upper Limit		Lower limit	
	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% 60% 40% 70%	(70%) (60%) (40%) (50%) (80%)	0% 0% 0% 0% 30%	(0%) (0%) (0%) (0%) (30%)
10	**Has the Authority adopted the CIPFA Treasury Management Code?**				Yes

The status of the indicators will be included in Treasury Management reporting during 2024/25. They will also be included in the Council’s Capital Budget monitoring reports during 2024/25.

Definitions and Purpose of the Treasury Management Indicators noted above

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.

Appendix B
Minimum Revenue Provision Strategy

The Council implemented the new Minimum Revenue Provision (MRP) guidance in 2011/12 and has assessed its MRP for 2024/25 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).

DLUHCRegulations require full Council to approve an MRP Statement, in advance of each year. If the Council wishes to amend its policy during the year this would need to be approved by full Council. A variety of options are available to councils to replace the previous Regulations, so long as there is a prudent provision. The options are:

- ***Option 1:*** Regulatory Method – can only be applied to capital expenditure incurred prior to April 2008 or Supported Capital Expenditure. This is calculated as 4% of the non-housing CFR at the end of the preceding financial year, less some transitional factors relating to the movement to the new Prudential Code in 2003.

- ***Option 2:*** CFR Method – a provision equal to 4% of the non-housing CFR at the end of the preceding financial year.

- ***Option 3:*** Asset Life Method – MRP is calculated based on the life of the asset, on either an equal instalment or an annuity basis.

- ***Option 4:*** Depreciation Method – MRP is calculated in accordance with the depreciation accounting required for the asset.

Options 1 and 2 may be used only for supported expenditure, which is capital expenditure for which the Council has been notified by Government that the costs of that expenditure will be considered in the calculation of Government funding due to the Council.

It is important to note that the Council can deviate from these options provided that the approach taken ensures that there is a prudent provision. The Council has historically followed option 1 for supported expenditure based on the level of support provided by Government through Revenue Support Grant (RSG).

The assets created or acquired under Supported Capital Expenditure predominantly had long asset lives of c. 50 years, such as land or buildings, and an MRP of 4% suggests a significantly shorter asset life. As the level of notional RSG the Council receives has reduced in recent years, it was considered prudent to review the approach to MRP on supported borrowing to reflect the Government support received.

It was therefore agreed that from 2017/18 a provision of 2% of the non-housing CFR as at the end of the preceding financial year is to be made. This is in line with many other local authorities who have reviewed the basis for their MRP and have applied similarly revised policies.

It is the Council's policy that MRP relating to an asset will start to be incurred in the year after the capital expenditure on the asset is incurred or, in the case of new assets, in the year following the asset coming into use, in accordance with MHCLG's guidance.

The Council recognises that there are different categories of capital expenditure, for which it will incur MRP as follows:

- For non HRA Supported Capital Expenditure: MRP policy will be charged at a rate of 2% on a similar basis to option 1 of the guidance (the regulatory method) but at a lower rate, better reflecting the asset lives of the assets funded through Supported Borrowing.

- For non HRA unsupported capital expenditure incurred the MRP policy will be:
  - Asset Life Method – MRP will be based on a straight-line basis or annuity method so linking the MRP to the future flow of benefits from the asset, dependant on the nature of the capital expenditure, in accordance with option 3 of the guidance.

  - If the expenditure is capital by virtue of a Ministerial direction, has been capitalised under a Capitalisation Directive, or does not create a council asset, MRP will be provided in accordance with option 3 of the guidance with asset lives calculated as per the table below:

Expenditure type	**Maximum period over which MRP to be made**
Expenditure capitalised by virtue of a direction under s16 (2) (b).	20 years.
Regulation 25(1) (a). Expenditure on computer programs.	Same period as for computer hardware.
Regulation 25(1) (b). Loans and grants towards capital expenditure by third parties.	The estimated life of the assets in relation to which the third-party expenditure is incurred.
Regulation 25(1) (c). Repayment of grants and loans for capital expenditure.	25 years or the period of the loan if longer.
Regulation 25(1) (d). Acquisition of share or loan capital.	20 years, or the estimated life of the asset acquired.
Regulation 25(1) (e). Expenditure on works to assets not owned by the authority.	The estimated life of the assets.
Regulation 25(1) (ea). Expenditure on assets for use by others.	The estimated life of the assets.
Regulation 25(1) (f). Payment of levy on Large Scale Voluntary Transfers (LSVTs) of dwellings.	25 years.

- For PFI service concessions and some lessee interests: Following the move to International Accounting Standards arrangements under private finance initiatives (PFIs) service concessions and some lessee interests (including embedded leases) are accounted for on the Council's Balance Sheet, and with the introduction of IFRS16 (Leasing) from the 1st of April 2022 more lessee leases will be classified in a similar way. Where this occurs, a part of the contract charge or rent payable will be taken to reduce the Balance Sheet liability rather than being charged as revenue expenditure. The MRP element of these schemes will be the amount of contract charge or rental payment charged against the Balance Sheet liability. This approach will produce an MRP charge comparable to that under option 3 in that it will run over the life of the lease or PFI scheme.

In some exceptional cases, the Council will deviate from the policy laid out above provided such exceptions remain prudent. Any exceptions are listed below:

- Where capital expenditure is incurred through providing loans to organisations, and where those loans are indemnified or have financial guarantees protecting against loss from a third party of high credit quality, no MRP will be charged in relation to the capital expenditure. Similarly, loans given by the Council where any losses incurred on the investment will impact solely on a third party, such as those provided under the City Deal arrangement with the HCA, will not require an MRP charge.

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Appendix C

Treasury Management Policy Statement

1. This organisation defines its treasury management activities as:
   The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

2. This organisation regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered to manage these risks.

3. This organisation acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

The Council will invest its monies prudently, considering security first, liquidity second, and yield last, carefully considering its investment counterparties. It will similarly borrow monies prudently and consistent with the Council's service objectives.

Appendix D

Treasury Management Scheme of Delegation

i **Full Council**

- receiving and reviewing reports on treasury management policies, practices and activities
- approval of annual strategy

ii **Responsible body – Audit Committee**

- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices
- budget consideration and approval
- approval of the division of responsibilities
- receiving and reviewing regular monitoring reports and acting on recommendations
- approving the selection of external service providers and agreeing terms of appointment

iii **Body with responsibility for scrutiny** - Resource and Governance Scrutiny Committee

- reviewing the treasury management policy and procedures and making recommendations to the responsible body

iv **Deputy Chief Executive and City Treasurer**

- delivery of the function

<u>Appendix E</u>

The Treasury Management role of the Section 151 Officer

The S151 (responsible) Officer

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

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

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

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

- Reporting and management information including where and how often monitoring reports are taken;
- Training and qualifications including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.

Appendix F

Economic Background January 2024 – Link Asset Services

This section has been prepared by the Council's Treasury Advisors, Link Asset Services, for the Treasury Management Strategy Statement 2024/25.

- The third quarter of 2023/24 saw:
  - A 0.3% m/m decline in real GDP in October, potentially partly due to unseasonably wet weather, but also due to the ongoing drag from higher interest rates. Growth for the second quarter, ending 30th September, was revised downwards to -0.1% and growth on an annual basis was also revised downwards, to 0.3%;
  - A sharp fall in wage growth, with the headline 3myy rate declining from 8.0% in September to 7.2% in October, although the ONS "experimental" rate of unemployment has remained low at 4.2%;
  - CPI inflation continuing on its downward trajectory, from 8.7% in April to 4.6% in October, then again to 3.9% in November;
  - Core CPI inflation decreasing from April and May's 31 years' high of 7.1% to 5.1% in November, the lowest rate since January 2022;
  - The Bank of England holding Bank Rate at 5.25% in November and December;
  - A steady fall in 10-year gilt yields as investors revised their interest rate expectations lower.
- The revision of GDP data in Q2 to a 0.1% q/q fall may mean the mildest of mild recessions has begun. Indeed, real GDP in October fell 0.3% m/m which does suggest that the economy may stagnate again in Q3. The weakness in October may partly be due to the unseasonably wet weather. That said, as the weakness was broad based it may also be the case that the ongoing drag from higher interest rates is more than offsetting any boost from the rise in real wages.
- However, the rise in the flash composite activity Purchasing Managers Index, from 50.7 in November to 51.7 in December, did increase the chances of the economy avoiding a contraction in Q3. The improvement was entirely driven by the increase in the services activity balance from 50.9 to 52.7. (Scores above 50 point to expansion in the economy, although only tepid in this instance.) The press release noted that this was primarily driven by a revival in consumer demand in the technological and financial services sectors. This chimes with the further improvement in the GfK measure of consumer confidence in December, from -24 to -22. The services PMI is now consistent with non-retail services output growing by 0.5% q/q in Q3, but this is in stark contrast to the manufacturing sector where the output balance slumped from 49.2 to 45.9 and, at face value, the output balance is consistent with a 1.5% q/q fall in manufacturing output in Q3.
- The 0.3% m/m fall in retail sales volumes in October means that after contracting by 1.0% q/q (which was downwardly revised from -0.8% q/q) in Q2, retail activity remained weak at the start of Q3. That suggests higher interest rates are taking a bigger toll on real consumer spending.
- Higher interest rates have filtered through the financial channels and weakened the housing market but, overall, it remains surprisingly resilient with the Halifax house price index recently pointing to a 1.7% year on year increase whilst Nationwide's December data pointed to a -1.8% year on year decrease. However, the full weakness in real consumer spending and real business investment has yet to come as currently it is estimated that around two thirds to a half of the impact of higher interest rates on household interest payments has yet to be felt.

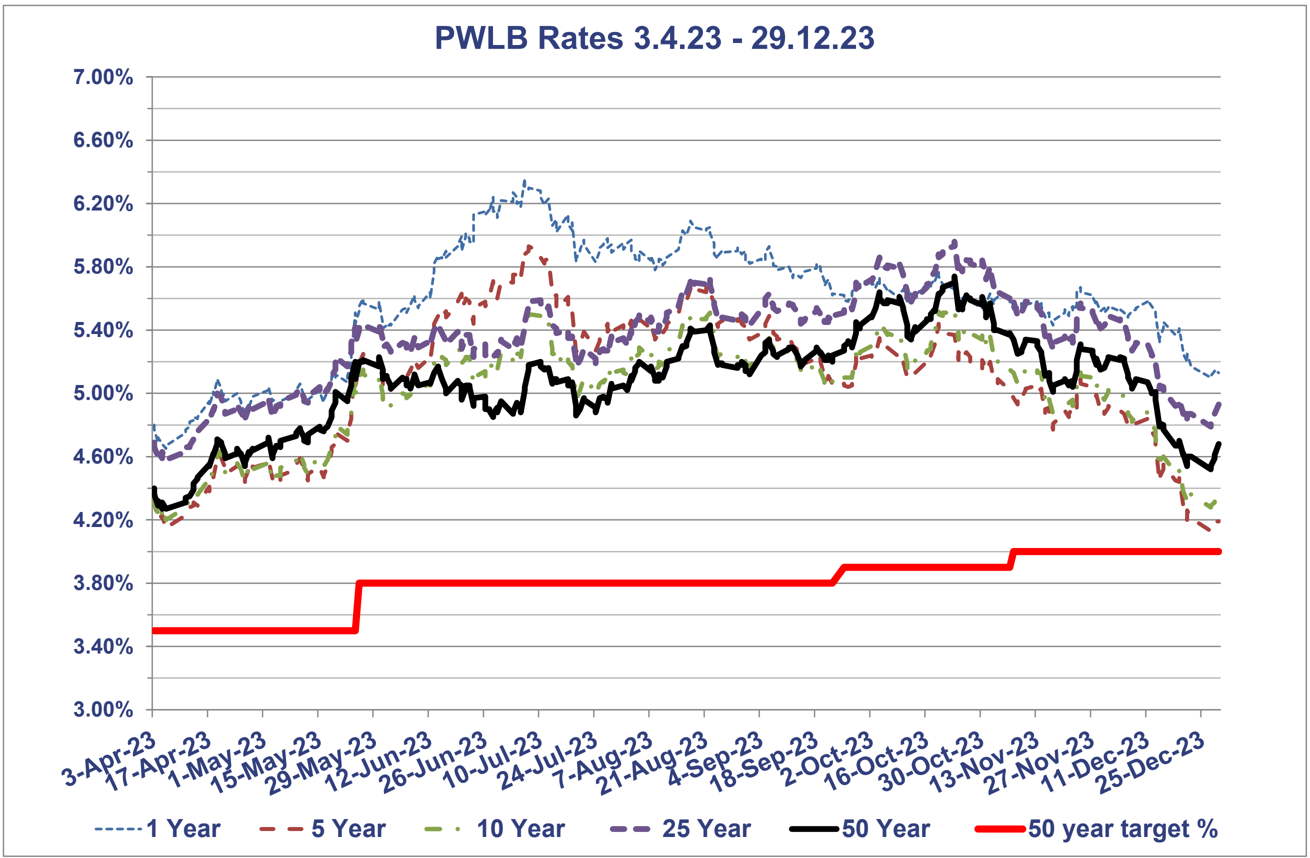
- Overall, we expect real GDP growth to remain subdued throughout 2024 as the drag from higher interest rates is protracted but a fading of the cost-of-living crisis and interest rate cuts in the second half of 2024 will support a recovery in GDP growth in 2025.
- The labour market remains tight by historical standards, but the sharp fall in wage growth seen in October will reinforce the growing belief in markets that interest rates will be cut mid-2024. Wage growth eased in October much faster than the consensus expected. Total earnings fell by 1.6% m/m, which meant the headline 3myy rate eased from 8.0% in September to 7.2% in October. This news will be welcomed by the Bank of England. Indeed, the timelier three-month annualised rate of average earnings growth fell from +2.4% to -1.2%. Excluding bonuses, it fell from 5.3% to 2.0%. Furthermore, one of the Bank's key barometers of inflation persistence, regular private sector pay growth, dropped from 7.9% 3myy to 7.3%, which leaves it comfortably on track to fall to 7.2% by December, as predicted by the Bank in November.
- The fall in wage growth occurred despite labour demand being stronger in October than expected. The three-month change in employment eased only a touch from +52,000 in September to +50,000 in October. But resilient labour demand was offset by a further 63,000 rise in the supply of workers in the three months to October. That meant labour supply exceeded its pre-pandemic level for the first time, and the unemployment rate remained at 4.2% in October. In the three months to November, the number of job vacancies fell for the 17th month in a row, from around 959,000 in October to around 949,000. That has reduced the vacancy to unemployment ratio as demand for labour eases relative to supply, which may support a further easing in wage growth in the coming months.
- CPI inflation fell from 6.7% in September to 4.6% in October, and then again to 3.9% in November. Both these falls were bigger than expected and there are clear signs of easing in domestic inflationary pressures. The fall in core CPI inflation from 5.7% to 5.1% in November was bigger than expected (consensus forecast 5.6%). That's the lowest rate since January 2022. Some of the decline in core inflation was due to the global influence of core goods inflation, which slowed from 4.3% to 3.3%. But some of it was due to services inflation falling from 6.6% to 6.3%. The Bank views the latter as a key barometer of the persistence of inflation and it came in further below the Bank's forecast of 6.9% in its November Monetary Policy Report. This will give the Bank more confidence that services inflation is now on a firmly downward path.
- The Bank of England sprung no surprises with its December monetary policy committee (MPC) meeting, leaving interest rates at 5.25% for the third time in a row and pushing back against the prospect of near-term interest rate cuts. The Bank continued to sound hawkish, with the MPC maintaining its tightening bias saying that "further tightening in monetary policy would be required if there were evidence of more persistent inflationary pressures". And it stuck to the familiar script, saying that policy will be "sufficiently restrictive for sufficiently long" and that "monetary policy is likely to need to be restrictive for an extended period of time". In other words, the message is that the MPC is not yet willing to endorse investors' expectations that rates will be cut as soon as May 2024.
- Looking ahead, our colleagues at Capital Economics forecast that the recent downward trends in CPI and core inflation will stall over the next few months before starting to decline more decisively again in February. That explains why we think the Bank of England won't feel comfortable cutting interest rates until H2 2024.
- The fall in UK market interest rate expectations in December has driven most of the decline in 10-year gilt yields, which have fallen in line with 10-year US Treasury and euro-zone yields. 10-year gilt yields have fallen from 4.68% in October 2023 to around 3.70% in early January, with further declines likely if the falling inflation story is maintained.
- Investors' growing expectations that the Fed will cut interest rates soon has led to an improvement in risk sentiment, which has boosted the pound and other risky assets. In

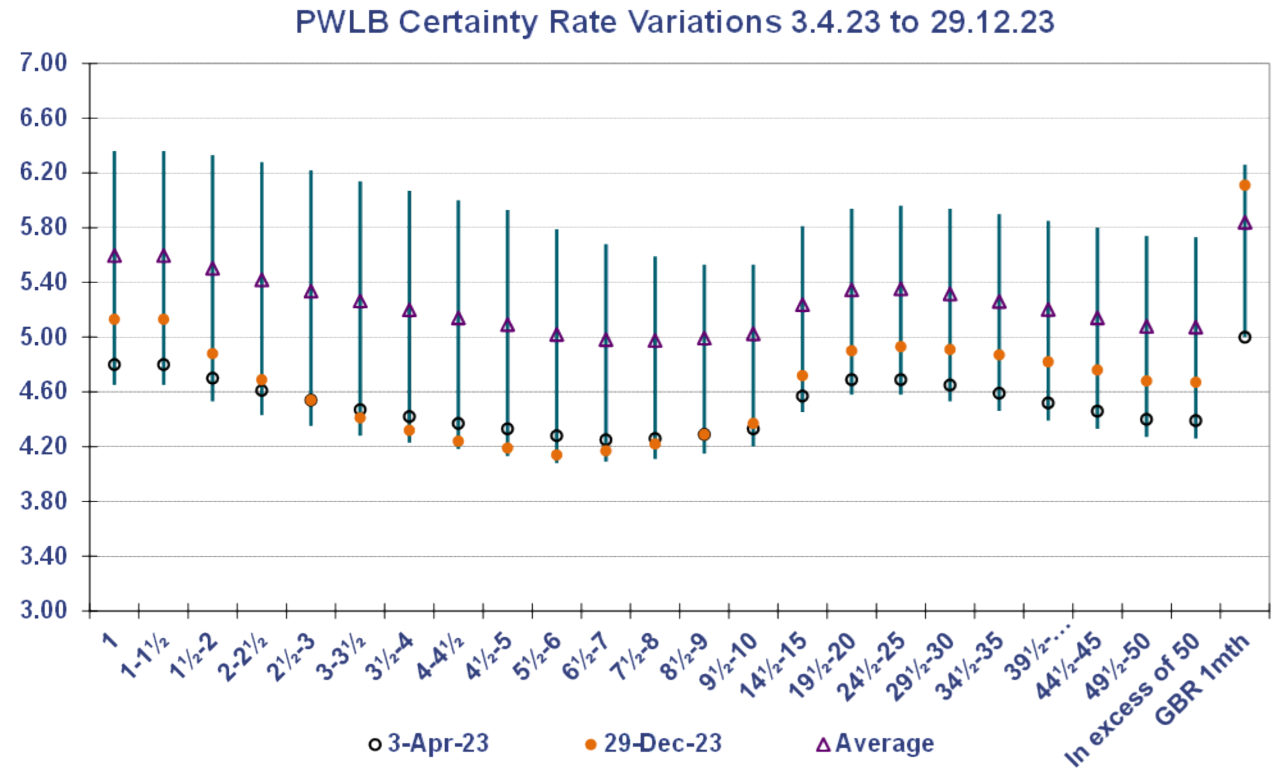
addition, the rise in the pound, from $1.21 in November to $1.27 now, has also been supported by the recent relative decline in UK wholesale gas prices.

- The further fall in 10-year real gilt yields in December has supported the recent rise in the FTSE 100. That said, the index remains 5% below its record high in February 2023. This modest rise in equities appears to have been mostly driven by strong performances in the industrials and rate-sensitive technology sectors. But UK equities have continued to underperform US and euro-zone equities. The FTSE 100 has risen by 2.2% in December, while the S&P 500 has risen by 3.8%. This is partly due to lower energy prices, which have been a relatively bigger drag on the FTSE 100, due to the index's high concentration of energy companies.

In the chart below, the rise in gilt yields across the curve in the first half of 2023/24, and therein PWLB rates, is clear to see, prior to the end of year rally based on a mix of supportive domestic and international factors.

PWLB RATES 3.4.23 - 29.12.23





HIGH/LOW/AVERAGE PWLB RATES FOR 3.4.23 – 29.12.23

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	4.65%	4.13%	4.20%	4.58%	4.27%
Date	06/04/2023	27/12/2023	06/04/2023	06/04/2023	05/04/2023
High	6.36%	5.93%	5.53%	5.96%	5.74%
Date	06/07/2023	07/07/2023	23/10/2023	23/10/2023	23/10/2023
Average	5.60%	5.09%	5.03%	5.35%	5.08%
Spread	1.71%	1.80%	1.33%	1.38%	1.47%

MPC meetings 2nd November and 14th December 2023

- On 2nd November, the Bank of England's Monetary Policy Committee (MPC) voted to keep Bank Rate on hold at 5.25%, and on 14th December reiterated that view. Both increases reflected a split vote, the latter by 6 votes to 3, with the minority grouping voting for an increase of 0.25% as concerns about "sticky" inflation remained in place.
- Nonetheless, with UK CPI inflation now at 3.9%, and core inflating beginning to moderate (5.1%), markets are voicing a view that rate cuts should begin in Q1 2024/25, some way ahead of the indications from MPC members. Of course, the data will be the ultimate determinant, so upcoming publications of employment, wages and inflation numbers will be of particular importance, and on-going volatility in Bank Rate expectations and the gilt yield curve can be expected.
- In addition, what happens outside of the UK is also critical to movement in gilt yields. The US FOMC has kept short-term rates in the range of 5.25%-5.50%, whilst the ECB has moved its Deposit rate to a probable peak of 4%. Markets currently expect both central banks to start cutting rates in 2024.

Appendix G

Interest Rate Forecasts 2024 – 2026

PWLB forecasts shown below have taken into account the 20 basis point certainty rate reduction effective as of the 1st November 2012.

	MAR-24	**Jun-24**	**Sep-24**	**Dec-24**	**Mar-25**	**Dec-25**	**Mar-26**	**Dec-26**
Bank Rate	5.05	5.05	4.55	4.05	3.55	2.80	2.80	2.80
5yr PWLB	4.30	4.20	4.10	4.00	3.90	3.50	3.40	3.30
10yr PWLB	4.50	4.30	4.20	4.10	4.10	3.70	3.60	3.50
25yr PWLB	5.00	4.90	4.70	4.60	4.40	4.00	4.00	3.90
50yr PWLB	4.80	4.70	4.50	4.40	4.20	3.80	3.80	3.70

The Link forecasts are as at 08.01.24.

Appendix H

Glossary of Terms

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

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

Certificates of Deposit - short dated marketable securities issued by financial institutions, so the counterparty risk is low. The instruments have flexible maturity dates, so it is possible to trade them in early although there is a potential risk to capital if they are traded ahead of maturity and there is an adverse movement in interest rates. Certificates of Deposit are subject to bail-in risk as they are given the same priority as fixed deposits if a bank was to default. The Council will only deal with Certificates of Deposit that are issued by banks and meet the credit criteria.

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

Covered Bonds - 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).

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

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 - 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. 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. 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.

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 - 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.

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

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

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

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Appendix I

Treasury Management Implications of HRA Reform

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

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

The Portfolio Split

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

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

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

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

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

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

As can be seen from the tables below, the debt was to split in a ratio of 84.47:15.53 between the General Fund and the HRA, including the unfinanced CFR element. This is the level of internal borrowing undertaken in lieu of external borrowing, through the use of cash balances to fund expenditure rather than external borrowing. It was decided, for administrative reasons, that all of the Council's remaining stock debt should be held by the General Fund, which increased the relative level of unfinanced CFR held by the HRA.

The final split of the debt portfolio is shown in the table below:

	General Fund	HRA	Total
	£'000	*£'000*	*£'000*
Market	405,636	74,579	480,215
% of total market	*84.47%*	*15.53%*	
Stock	8,159	0	8,159
% of stock	*100.00%*	*0.00%*	
Total Loans	**413,795**	**74,579**	**488,374**
% of total loans	*84.73%*	*15.27%*	
Unfinanced CFR	261,659	49,608	311,267
% of unfinanced CFR	*84.06%*	*15.94%*	
Total CFR	**675,454**	**124,187**	**799,641**
% of total CFR	*84.47%*	*15.53%*	

Future HRA borrowing

Following the split of the portfolio, the HRA can make borrowing decisions according to the needs of their business plan, provided those decisions are aligned with their treasury strategy and are agreed by the Section 151 officer. The amounts and maturity periods of any future loans will be determined by the HRA, in conjunction with the Treasury Management team and the Deputy Chief Executive and City Treasurer. Any future borrowing made by the Council will be for either the General Fund or the HRA and not for the Council in general.

se 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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