Public Document Pack

MANCHESTER
CITY COUNCIL

Joanne Roney OBE
Chief Executive
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PO Box 532, Town Hall
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M60 2LA

Thursday, 25 February 2021

Dear Councillor / Honorary Alderman,

Meeting of the Council – Friday, 5th March, 2021

You are summoned to attend a meeting of the Council which will be held at 10.00 am on Friday, 5th March, 2021, in Virtual meeting - livestream link to watch the meeting - https://vimeo.com/514222764.

1. The Lord Mayor's Announcements and Special Business
Including a presentation of the forthcoming Census from Elisa Bullen (Corporate Services).

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

3. Minutes — 5 - 16
To submit for approval the minutes of the meeting held on 3 February 2021.

4. The Council's Revenue and Capital Budget 2021/22

4a. Proceedings of the Art Galleries Committee on 17 February 2021 — 17 - 18
To approve the proceedings of the Art Galleries Committee on 17 February 2020 in relation to the Art Galleries budget for 2021/22.

4b. Part of the proceedings of Executive on 17 February 2021 relating to the budget for 2021/22 — 19 - 48
To approve the part proceedings of the Executive on 17 February 2021 which contain details of the following:

- The Councils Budget 2021/22 – Covering Report;
- Medium Term Financial Plan 2021/2022;

- Capital Strategy and Budget 2021/22;
- Council Business Plan 2021/22;
- Children and Education Budget 2021/22;
- Adult Social Care and Population Health Budget 2021/22;
- Manchester Health and Care Commissioning Budget 2021/22;
- Homelessness Budget 2021/22;
- Neighbourhoods Directorate Budget 2021/22;
- Growth and Development Budget 2021/22;
- Corporate Core Budget 2021/22;
- Dedicated Schools Grant 2021/22;
- Housing Revenue Account 2021/22 to 2023/24;
- Treasury Management Strategy Statement and Borrowing Limits and Annual Investment Strategy 2020/21;
- Budget 2021/22 Public Consultation Outcomes; and
- Budget 2020/21 Equality Impact Assessment.

(Members of the Council need to take account of the above reports which were considered by the Executive on 17 February 2021. The Council Budget Paper pack is available on the Council's website (link address below) and paper copy – on request)

Website link address:
https://democracy.manchester.gov.uk/ieListDocuments.aspx?CId=135&MId=3420&Ver=4

4c. Minutes of the Resources and Governance Scrutiny Committee held on 1 March 2021, in relation to the overall budget proposals - to follow

To note the minutes of the Resources and Governance Scrutiny Committee held on 1 March 2021, in relation to the overall budget proposals. In doing so, to also note the consideration that the other five scrutiny Committees have given to the budget as reported to the Resources and Governance Scrutiny on 1 March 2021.

4d. To approve proposals to ensure that the Housing Revenue Account for 2021/2022 does not show a debit balance

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

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

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

Government Finance Act, 1992, as amended.

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

In considering the above items, to consider:

4i. **Capital Strategy and Budget 2021/22** 49 - 102
Report of the Chief Executive and Deputy Chief Executive and City Treasurer is enclosed.

4j. **Treasury Management Strategy Statement 2021/22, including Borrowing Limits and Annual Investment Strategy** 103 - 156
Report of the Deputy Chief Executive and City Treasurer is enclosed.

4k. **Council Tax Resolution 2021/22 - to follow**

Yours faithfully,

Joanne Roney OBE
Chief Executive

Information about the Council

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

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

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

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

Members of the Council

Councillors:-

Abdullatif, Akbar, Azra Ali, Ahmed Ali, Nasrin Ali, Sameem Ali, Shaukat Ali, Alijah, Andrews, Appleby, Battle, Bridges, Butt, Chambers, Chohan, Clay, Collins, Cooley, Craig, Curley, M Dar, Y Dar, Davies, Doswell, Douglas, Evans, Farrell, Flanagan, Green, Grimshaw, Hacking, Hassan, Hewitson, Hitchen, Holt, Hughes, Igbon, Ilyas, Jeavons, Johns, S Judge, T Judge (Chair), Kamal, Karney, Kilpatrick, Kirkpatrick, Lanchbury, Leech, Leese, J Lovecy, Ludford, Lynch, Lyons, McHale, Midgley, Madeleine Monaghan, Mary Monaghan, Moore, N Murphy, Newman, Noor, O'Neil, Ollerhead, B Priest, H Priest, Rahman, Raikes, Rawlins, Rawson, Razaq, Reeves, Reid, Riasat, Richards, Rowles, Russell, Sadler, M Sharif Mahamed, Sheikh, Shilton Godwin, A Simcock, K Simcock, Stanton, Stogia, Stone, Strong, Taylor, Watson, Wheeler, Whiston, White, Wills, Wilson and Wright

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

Further Information

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

Andrew Woods
Tel: 0161 234 3011
Email: andrew.woods@manchester.gov.uk

This agenda was issued on **Thursday, 25 February 2021** by the Governance and Scrutiny Support Unit, Manchester City Council, Level 3, Town Hall Extension (Lloyd Street Elevation), Manchester M60 2LA

Council

Minutes of the meeting held on Wednesday, 3 February 2021

This meeting of Council meeting was a meeting conducted via Zoom, in accordance with the provisions of the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020.

Present:

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

Councillors:

Abdullatif, Akbar, Azra Ali, Ahmed Ali, Sameem Ali, Shaukat Ali, Alijah, Appleby, Bridges, Butt, Chambers, Chohan, Clay, Cooley, Craig, Curley, M Dar, Y Dar, Davies, Doswell, Douglas, Evans, Farrell, Flanagan, Green, Grimshaw, Hacking, Hassan, Hewitson, Hitchen, Holt, Hughes, Igbon, Ilyas, Jeavons, S Judge, Kamal, Karney, Kilpatrick, Kirkpatrick, Lanchbury, Leech, Leese, J Lovecy, Ludford, Lynch, Lyons, McHale, Midgley, Madeleine Monaghan, Mary Monaghan, Moore, N Murphy, Newman, Noor, O'Neil, B Priest, Rahman, Raikes, Rawlins, Rawson, Reeves, Reid, Riasat, Richards, Rowles, Russell, Sadler, M Sharif Mahamed, Sheikh, Shilton Godwin, A Simcock, K Simcock, Stanton, Stogia, Taylor, Watson, Wheeler, Whiston, White, Wills, Wilson and Wright

CC/21/01 Lord Mayor's Special Business

The Lord Mayor announced that he had agreed to the submission of the minutes of the meeting of the Constitutional and Nominations Committee held on 2 February 2021. The minutes had been circulated in advance of the meeting.

CC/21/02 Lord Mayor's Special Business – New Year’s Honours List

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

Professor Joy Duxbury	OBE
Professor Adele Jones	OBE
Sarah Wallace	OBE
Julie Cawthorne	MBE
Dr Heather Williams	MBE
Rebecca Gorman	BEM

CC/21/03 Lord Mayor's Special Business – Death of Captain Sir Tom Moore

The Lord Mayor invited those present at the meeting to observe a minute's silence in memory of Captain Sir Tom Moore, who had worked to raise millions of pounds for NHS charities during the Covid19 pandemic and in doing so helped to raise the spirits, resilience and awareness of the nation.

CC/21/04 Lord Mayor's Special Business – Supporting Business Presentation

The Lord Mayor invited Julie Price (Director of Customer Services and Transaction) to give a presentation on Supporting Business – Discretionary Support Grants that are available to businesses in the city. A copy of the presentation was added to the Council meeting documents included on the Council web site. Members were invited to ask questions following the presentation.

CC/21/05 Minutes

The Minutes of the three meetings held on 25 November 2020 were approved as correct records and signed by the Chair.

CC/21/06 Notice of Motion - End Our Cladding Scandal

The Lord Mayor informed the Council that Councillor Johns, the proposer of the motion, was unable to be present at the meeting and had requested that the Councillor Lyons, the seconder to the motion, propose the motion in his absence. The motion would then be seconded by Councillor Richards who is a signatory to the motion.

Motion proposed and seconded

This Council notes:
• the tragic fire in Grenfell Tower in 2017 led to a series of events Council which uncovered a growing scandal of residential buildings with flammable materials, missing fire breaks, and other fire safety defects;
• that thousands of Manchester people live in such buildings, and that number continues to rise, including disabled people who face compounding difficulties including lack of specific support for their needs, additional financial pressures, and the potential exacerbation of health conditions;
• the outstanding support that the Manchester Cladiators and CLADDAG campaigns have been providing to many residents;
• that many are unable to sell or re-mortgage their homes due to this situation and a broken ESW1 process;
• the support of the Executive Member for Housing & Regeneration alongside Manchester's Members of Parliament in putting pressure on Government to seek resolution and to protect affected Manchester People;
• that Manchester City Council has been named an early adopter of Hackitt's Grenfell building safety review, within which the Council aims to champion building safety, to encourage cultural change across the development industry, to ensure building safety is considered 'upfront' to prioritise safety now, and play an active role in developing building safety policy.

This Council believes that:

• the cladding crisis is a scandal that punishes leaseholders and Manchester people for systemic problems with building safety regulations and methods of development in England;
• this has a cruel effect on affected Manchester people's mental health, leaving them in unsafe homes and facing lifechanging bills;
• it is grossly unjust that residents who bought homes in good faith should face remediation costs;
• the Government's Building Safety Fund is inadequate both in scope and amount, failing to protect leaseholders from costs and to accelerate remediation;
• the Government must right broken promises, return to the original premise that no cost is passed to leaseholders, abandon 'loan schemes', and act quickly;
• a viable route to remediation is for payment nationally to fall on the building industry coupled with a 'pay now, litigate later' approach as recently developed by the Australian Labor Party State Government in Victoria.

This Council resolves to:

• thank Manchester Cladiators and all campaigners for their efforts fighting this injustice, and to continue to support them in their campaign;
• continue supporting the End our Cladding Scandal campaign's 10-step plan to tackle this crisis, to which Greater Manchester Council Mayor Andy Burnham, the Leader, and Councillors Richards, Lyons, Wheeler, Johns, Davies, and Wright are signatories;
• ask the Chief Executive to write to the Minister for Housing Communities and Local Government to ask Government to accede to those 10 asks;
• continue providing practical support to affected Manchester people, including asking the Planning Department to prioritise applications for fire-related remediation work, asking the Executive Member for Housing & Regeneration to continue to work with local groups, and helping affected Manchester people to understand their situation;
• continue acting inclusively on this issue, including actively involving affected disabled people, raising awareness of their specific issues and campaigning;
• ask the Executive Member to work alongside Manchester's Members of Parliament to develop a 'Manchester Ask' outlining the funding required remediate affected buildings in our city, saving Manchester people from hardship, unfair cost and worse consequences.

Amendment moved and seconded / -

In the section "This Council Notes", Paragraph 4, remove:
"that many are unable to sell or re-mortgage their homes due to this situation and a broken **ESW1** process;" and replace with "that many are unable to sell or re-mortgage their homes due to this situation and a broken **EWS1** process;"
At the end of the section "This Council believes that", add

- Developers who delivered dangerous and unsafe buildings due to negligence and poor workmanship should remediate this work rather than expecting leaseholders to pay.

The proposer of the motion accepted the amendment put forward.

The motion, as amended, was then put to the Council as a substantive motion. It was voted upon and the Lord Mayor declared that it was **CARRIED**.

Decision

This Council notes:
• the tragic fire in Grenfell Tower in 2017 led to a series of events Council which uncovered a growing scandal of residential buildings with flammable materials, missing fire breaks, and other fire safety defects;
• that thousands of Manchester people live in such buildings, and that number continues to rise, including disabled people who face compounding difficulties including lack of specific support for their needs, additional financial pressures, and the potential exacerbation of health conditions;
• the outstanding support that the Manchester Cladiators and CLADDAG campaigns have been providing to many residents;
• that many are unable to sell or re-mortgage their homes due to this situation and a broken EWS1 process;
• the support of the Executive Member for Housing and Regeneration alongside Manchester's Members of Parliament in putting pressure on Government to seek resolution and to protect affected Manchester People;
• that Manchester City Council has been named an early adopter of Hackitt's Grenfell building safety review, within which the Council aims to champion building safety, to encourage cultural change across the development industry, to ensure building safety is considered 'upfront' to prioritise safety now, and play an active role in developing building safety policy.

This Council believes that:

• the cladding crisis is a scandal that punishes leaseholders and Manchester people for systemic problems with building safety regulations and methods of development in England;
• this has a cruel effect on affected Manchester people's mental health, leaving them in unsafe homes and facing lifechanging bills;
• it is grossly unjust that residents who bought homes in good faith should face remediation costs;
• the Government's Building Safety Fund is inadequate both in scope and amount, failing to protect leaseholders from costs and to accelerate remediation;
• the Government must right broken promises, return to the original premise that no cost is passed to leaseholders, abandon 'loan schemes', and act quickly;
• a viable route to remediation is for payment nationally to fall on the building industry coupled with a 'pay now, litigate later' approach as recently developed by the Australian Labor Party State Government in Victoria;
• developers who delivered dangerous and unsafe buildings due to negligence and poor workmanship should remediate this work rather than expecting leaseholders to pay.

This Council resolves to:

• thank Manchester Cladiators and all campaigners for their efforts fighting this injustice, and to continue to support them in their campaign;
• continue supporting the End our Cladding Scandal campaign's 10-step plan to tackle this crisis, to which Greater Manchester Council Mayor Andy Burnham, the Leader, and Councillors Richards, Lyons, Wheeler, Johns, Davies, and Wright are signatories;
• ask the Chief Executive to write to the Minister for Housing Communities and Local Government to ask Government to accede to those 10 asks;
• continue providing practical support to affected Manchester people, including asking the Planning Department to prioritise applications for fire-related remediation work, asking the Executive Member for Housing & Regeneration to continue to work with local groups, and helping affected Manchester people to understand their situation;
• continue acting inclusively on this issue, including actively involving affected disabled people, raising awareness of their specific issues and campaigning
• ask the Executive Member to work alongside Manchester's Members of Parliament to develop a 'Manchester Ask' outlining the funding required remediate affected buildings in our city, saving Manchester people from hardship, unfair cost and worse consequences.

(Councillor Midgely declared a personal and prejudicial interest and did not take part in the consideration or vote on the item.)
(Councillors Davies declared a personal and prejudicial interest and did not take part in the consideration or vote on the item.)
(Councillor Jeavons declared a personal and prejudicial interest and did not take part in the consideration or vote on the item.)

CC/21/07 Proceedings of the Executive

The proceedings of the Executive on 9 December 2020 and 20 January 2021. The Council was asked to give particular consideration to the following recommendations:

Exe/20/134 Revenue Budget Monitoring to the end of October 2020

To recommend to the Council, the approval of a proposed budget transfer of £1m from Corporate Core directorate to Collection Fund to offset council tax discounts (funded through the specific Hardship Fund grant); and also approve a £375k transfer within Adults Social Care for the Impower savings delivery partnership.

Exe/21/3 Manchester Aquatics Centre Investment

To recommend that the Council approve an increase the capital budget by £0.7m in 2020/21, £8.5m in 2021/22 and £21.2m in 2022/23, funded by £29.2m borrowing, and a capital budget virement of £1.3m funded by capital receipts via the Asset Management Programme Budget.

Exe/21/13 Capital Programme Update

To recommend that the Council approve the following changes to Manchester City Council's capital programme:
(a) ICT – End User Devices. A capital budget virement of £3.615m is requested, funded by Unallocated ICT Investment Budget.
(b) Children's Services – Our Lady's RC High School – Permanent. A capital budget virement of £2.4m is requested, funded by Unallocated Education Basic Needs Grant Budget.
(c) ICT – Network Refresh Programme. A capital budget virement of £3m is requested, funded by Unallocated ICT Investment Budget.

Decisions

1. To receive the minutes of the Executive held on 9 December 2020 and 20 January 2021.

2. To approve the following changes to the Manchester City Council's Capital Programme:

   (a) ICT – End User Devices. A capital budget virement of £3.615m is requested, funded by Unallocated ICT Investment Budget.

   (b) Children's Services – Our Lady's RC High School – Permanent. A capital budget virement of £2.4m is requested, funded by Unallocated Education Basic Needs Grant Budget.

   (c) ICT – Network Refresh Programme. A capital budget virement of £3m is requested, funded by Unallocated ICT Investment Budget.

3. To approve a budget transfer of £1m from Corporate Core directorate to Collection Fund to offset council tax discounts (funded through the specific Hardship Fund grant); and also approve a £375k transfer within Adults Social Care for the Impower savings delivery partnership.

4. To approve an increase the capital budget by £0.7m in 2020/21, £8.5m in 2021/22 and £21.2m in 2022/23, funded by £29.2m borrowing, and a capital budget virement of £1.3m funded by capital receipts via the Asset Management Programme Budget.

CC/21/08 Questions to Executive Members and Others under Procedural Rule 23

Councillor Akbar responded to a question from Councillor White regarding enforcement action being taken to prevent fly-tipping.

Councillor Craig responded to a question from Councillor Wills regarding the number of people that have received at least one dose of one of the COVID-19 vaccines.

Councillor Craig responded to Councillor A Simcock regarding the placing of defibrillators in local business premises within Didsbury for use by the general public.

Councillor Stogia responded to a question from Councillor A Simcock regarding the actions of emergency services and statutory agencies in dealing with recent flooding in Didsbury East ward.

Councillor Murphy responded to a question from Councillor Stanton regarding the work to clear up the West Didsbury ward area following recent flooding.

Councillor Craig responded to a question from Councillor Sharif Mahamad regarding work to ensure the take up of the Covid 19 vaccine across all communities.

Councillor Stogia responded to a question from Councillor Wills regarding traffic calming measures on and around Parsonage Road in Withington.

Councillor Murphy responded to a question from Councillor Hitchen regarding action to address crime rates.

Councillor Stogia responded to a question from Councillor Lyons regarding Tree Preservation Order requests.

Councillor Leese responded to a question from Councillor O'Neil regarding council support for residents and businesses who rely on the airport for employment, during the Covid19 pandemic.

Councillor Craig responded to a question from Councillor Midgley regarding support the mental health and wellbeing of our residents during the covid pandemic.

Councillor Murphy responded to a question from Councillor Kilpatrick regarding the Council's flood policy.

Councillor Curley responded to a question from Councillor Kilpatrick regarding the protection of green and community spaces to help support new communities.

Councillor Leese responded to a question from Councillor Kilpatrick regarding the publishing of a Brexit impact assessment for the city.

Councillor Murphy responded to a question from Councillor Leech regarding flooding notification to homes.

Councillor Russell responded to a question from Councillor Leech regarding call-in of a key decision.

Councillor Stogia responded to a question from Councillor Leech regarding road safety.

Councillor Craig responded to a question from Councillor Rawlins regarding the Council's work to tackle food poverty within the city.

CC/21/09 Scrutiny Committees

The minutes of the following Scrutiny Committee meetings were submitted:

Resources and Governance – 1 December 2020 and 12 January 2021
Health - 1 December 2020 and 12 January 2021
Children and Young People – 2 December 2020 and 13 January 2021
Neighbourhoods and Environment – 2 December 2020 and 13 January 2021
Economy – 3 December 2020 14 January 2021
Communities and Equalities - 3 December 2020 14 January 2021

Decision

To receive those minutes.

CC/21/10 Proceedings of Committees

The minutes of the following meetings had been submitted:

Audit Committee - 19 January 2021
Health and Wellbeing Board - 9 December 2020 and 27 January 2021
Licensing Committee 30 November 2020
Licensing and Appeals Committee 30 November 2020
Planning and Highways Committee 19 November, 17 December 2020 and 21 January 2021

Personnel Committee 20 January 2020, and in particular to consider:

PE/21/03 Revised Employee Code of Conduct, Smoking and Vaping and Digital Media Policy

To approve the Digital Media and Smoking and Vaping Policy, and to commend the revised Employee Code of Conduct to Council at its meeting on 3 February 2021.

Constitutional and Nomination Committee 2 February 2021.

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

CN/21/02 Membership of Council Committees and Representation on Joint Boards and Joint Committees

Decision

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

COMMITTEE	APPOINTED	REMOVED

Children and Young People Scrutiny Committee	Walid Omara Co-opted parent governor	

Health and Wellbeing Board

Remove: Michael McCourt - Manchester Local Care Organisation
Appoint: Katy Calvin-Thomas - Manchester Local Care Organisation

Remove: Dr Claire Lake - GP member - South Locality on Manchester Health and Care Commissioning Board
Appoint: Dr Geeta Wadhwa is the GP member - South Locality on Manchester Health and Care Commissioning Board

Remove Jim Potter - Chair, Pennine Acute Hospitals NHS Trust
Appoint - Michael Luger, Chair of Northern Care Alliance

CN/21/02 Constitution of the Council

Recommend that the Council agree the recommendations set out as follows:

1. Adopt, subject to recommendation 5 below, the attached revised Sections of the Constitution of the Council, namely:

   a) Part 2
   b) Part 3: Sections, C and F
   c) Part 4: Sections A, B, C and F
   d) Part 5: Sections C, D and E
   e) Part 6: Sections B, C and E
   f) Part 8

2. Make consequential and ancillary changes to other Parts of the Constitution to align with the changes set out in the report.

3. Amend Part 4: Section E as detailed at Paragraph 4.5 of the report as follows:

   It is proposed that the reference to “The Chief Executive of the Skills Funding Agency” is deleted from Rule 8A.1 of the Scrutiny Procedure Rules (Part 4 Section E). This is to reflect a change in the list of relevant partner authorities contained in section 104 of the Local Government and Public Involvement in Heath Act 2007.

4. Readopt the remainder of the Constitution

5. Note in relation to Part 3 of the Constitution that responsibility for the discharge of executive functions and the delegation of such responsibility rests with the Leader of the Council and that the recommended delegations

of executive functions set out in Part 3 (Sections A and F) are for the information of the Council only.

Decisions

1. To receive those minutes submitted.

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

3. To note the recommendation of the Personnel Committee on the revised Employee Code of Conduct.

4. To note the recommended changes to the Council Constitution made to the Council by the Constitutional and Nomination Committee.

CC/21/11 Constitution of the Council

The Council considered a report of the City Solicitor to adopt proposed amendments to the Constitution of the Council as detailed in the report submitted.

Decision

1. Adopt, subject to recommendation 5 below, the attached revised Sections of the Constitution of the Council, namely:

   a) Part 2
   b) Part 3: Sections, C and F
   c) Part 4: Sections A, B, C and F
   d) Part 5: Sections C, D and E
   e) Part 6: Sections B, C and E
   f) Part 8

2. Make consequential and ancillary changes to other Parts of the Constitution to align with the changes set out in the report.

3. Amend Part 4: Section E as detailed at Paragraph 4.5 of the report as follows:

   It is proposed that the reference to “The Chief Executive of the Skills Funding Agency” is deleted from Rule 8A.1 of the Scrutiny Procedure Rules (Part 4 Section E). This is to reflect a change in the list of relevant partner authorities contained in section 104 of the Local Government and Public Involvement in Heath Act 2007.

4. Readopt the remainder of the Constitution.

5. Note in relation to Part 3 of the Constitution that responsibility for the discharge of executive functions and the delegation of such responsibility rests with the Leader of the Council and that the recommended delegations of executive

functions set out in Part 3 (Sections A and F) are for the information of the Council only.

CC/21/12 Urgent Key Decisions

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

Decision

To note the report.

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Art Galleries Committee

Minutes of a meeting held on 17 February 2021

Present:
Councillor Rahman– In the Chair
Councillors Akbar, Bridges, Leech, N Murphy, Richards

Apologies: Councillor Leese

AG/21/01 Minutes

Decision

To approve as a correct record the minutes of the meeting held on 12 February 2020.

AG/21/02 Manchester City Galleries' report and Revenue Budget 2021/22

The Committee considered a joint report of the Director of Manchester City Galleries and the Deputy Chief Executive and City Treasurer that detailed the performances of the galleries in the past year. The COVID-19 pandemic had a severe impact on Manchester Art Gallery in 2020, with prolonged forced closures. The gallery had been able to reopen for a period in August, September and October. The gallery had faced a critical financial challenge through lost commercial income but had been able to limit the harm by means of a successful application to the Cultural Recovery Fund from the Treasury.

The report also set out other areas of work that had been undertaken in 2020/21, such as work on the Our Town Hall project, Platt Hall and the Manchester Together Archive.

In the past year a review of the Collection Development Policy had been undertaken. That had included detailed research into the history the collection. An updated policy was now being proposed to set out collection development priorities over the next three years. The focus was to better understand the existing materials, how they could be best used through a series of collection reviews of discreet collection areas, working with different stake holders and partners. A copy of the proposed new policy was appended to the report, and it was adopted by the Committee.

The report set out a proposed budget for 2021/22 which the Committee endorsed.

Budget Area	Proposed gross revenue budget 2020/21 £000
Expenditure	
Staffing	2,627
Premises	57
Transport	61
Supplies and Services	877

Internal charges	30
Total Expenditure	3,652
Income	
MCC cash limit	2,270
ACE National Portfolio Organisation (NPO)	489
Art Galleries Trust (fundraising)	365
Earned income	357
Esmee Fairbairn Collection Fund	38
Internal recharge (OTH Project)	133
Total Income	3,652

Following the report, Councillors gave their thanks to all Gallery officers and staff for their continued efforts throughout the Covid-19 pandemic, commenting that their continuation via the digital medium has had a positive impact on the mental health of Manchester residents and provided strong links with the education service.

Councillors raised questions on when the Manchester Together Archive would re-open and on potential budget impacts for Platt Hall.

Senior Gallery Officers, addressing the Manchester Together Archive, commented that funding had commenced last week and that volunteers would continue to work under current Covid-19 restrictions, where possible. Addressing Platt Hall, it was mentioned that there would be Capital funding to continue to evolve Platt Hall with a focus on efforts to improve residents' health and wellbeing and education.

Decisions

1. To note the report, including the draft gross budget for 2021/22 of £3.65m, with cash limit budget contribution from Manchester City Council of £2.27m, and to recommend the budget to the Council as part of the 2021/22 budget setting.

2. To note that the budget will be approved by Executive as part of the Council's budget setting process.

3. To approve the revised Collection Development Policy 2021-2024.

Executive

Part Proceedings A of the meeting held on Wednesday, 17 February 2021 – 2021/22 Budget agenda items

Present: Councillor Leese (Chair)

Councillors: Akbar, Bridges, Craig, N Murphy, Rahman, Stogia, and Richards

Also present as Members of the Standing Consultative Panel:
Councillors: Karney, Leech, M Sharif Mahamed, Sheikh, Midgley, Ilyas, Taylor, and S Judge

Apologies: Councillor Ollerhead

Also present: Councillor Newman

Exe/21/18 Revenue Budget Monitoring to the end of December 2020

The Deputy Chief Executive and City Treasurer presented a review of the 2020/21 revenue budgets. The report provided an overview of the Council's financial position as at the end of December 2020 and the work to develop a balanced budget for 2020/21. The report continued to project a balanced budget outturn for 2020/21, reflecting what had been the situation reported in December 2020 (Minute Exe/20/134). The forecast budget shortfall from COVID-19 pressures was £58m this financial year, which was being mitigated through the Council's share of the sales, fees and charges emergency funding. The overall impact of the pandemic was forecast as being £164.4m of which £23.6m related to additional expenditure and £140.8m to loss of income. Of that total, £58m related to 2020/21 and the rest was to have a significant impact on the 2021/22 and future budgets, as the other business of the meeting was to show.

Additional COVID-19 related funding

The report detailed the additional grants that had been announced or received from the Government since the previous report in December. These were

- Adult Social Care - £1.333m Workforce Capacity Fund to enable the council to supplement and strengthen adult social care staff capacity to ensure the delivery of safe and continuous care.
- Adult Social Care - £0.842m to support increased testing in care homes, with the bulk of this to be passed on to the care homes
- Neighbourhood Services – £0.882m for cultural recovery to Manchester Art Gallery being severely financially impacted by COVID-19.
- Neighbourhood Services - £0.621m Community Champions Fund to be used to work with community-based organisations to protect those most at risk from COVID-19.

- Corporate Core - £0.379m Self Isolation Support for the administration of the Test and Trace Support Payment Scheme, which awards £500 to some individuals who are told to self-isolate by the NHS Test and Trace or the COVID-19 App.
- Corporate Core Administering Business Rates Relief New Burden - £12k for the software and administration costs of implementing the extended retail relief scheme.
- Corporate Core Council Tax Hardship New Burdens - £58k for the software and administrative costs associated with implementing the Council Tax hardship fund, which deducts £150 from council tax support claimant's council tax liability.
- Corporate Core Local Authority Discretionary Grant Fund New Burdens - £101k for the administration of the Local Authority Discretionary Grant scheme, which has provided £5.4m of support to 957 businesses not registered for business rates bills.

The use of all those grants was supported.

The report also explained that the Government had announced that the Council was to receive an Additional Restrictions Grant (ARG) top-up of £4.911m. This was in addition to the £11.698m already received, giving total ARG funding of £16.609m. The ARG could be used to facilitate a discretionary grant scheme to support those businesses that are closed but do not have a rateable value, or those who are severely impacted rather than closed and are not eligible for other forms of support. It was proposed and agreed that the support offered be expanded to include:

- £2.5m for strategically important cultural, entertainment or convention facilities in the city,
- £1.0m additional support to charities,
- £2.0m for strategically economically important businesses in the city,;
- £1.9m for childcare and day care providers,
- £460k for independent retailers with no business rates liability that have been mandated to close and can show fixed property related costs,
- £1.0m for taxi drivers, and
- £4.74m for businesses affected by a reduction in daytime or commuter trade, within the tourism and culture sector, in the airport supply chain, and self-employed company directors of small businesses without fixed property related costs.

Budgets to be allocated

When setting the 2020/21 budget the Council has agreed to hold some funds for contingencies, and other money that was to be allocated throughout the year. The report proposed two further use of some of these budgets to be allocated. These were agreed:

- £15,000 for Education Short breaks, being a 10% uplift due to increase in National Living Wage and the implications of Pension auto enrolment on the befriending service which supports many children and young people who may be on the edge of care.
- £441,000 for inflationary increase on the waste and street cleaning contract, mainly relating to pay award increases.

Virements

The report proposed four funding virements. All those were supported and agreed:

- £489,000 from City Centre Regeneration to Policy, Partnership and Resource for the reallocation of the High Street Recovery Grant
- £276,000 from Facilities Management to several directorates, being the reallocation of security cost increases
- £387,000 from Policy, Partnership and Resource to City Centre Regeneration being the transfer of staff from planning and policy to City Centre Regeneration
- £190,000 from Education Attendance (within Children's Services non pay to pay budget transfer). The Early Help Hub and Prosecutions activity within One Education had now ended, the services had been brought in-house and this transferred the non-pay budgets to the pay budgets.

Other Non-COVID Related Grants in Addition to that Already Planned

The report explained that notifications had been received in relation to specific external grants. These allocations had not been confirmed at the time of the 2020/21 budget setting processes, so confirmation of them was now being sought. These two were both supported:

- £854,000 for MHCLG Rough Sleeping and alcohol treatment for Taskforce Priority areas which have the highest numbers of people sleeping rough who have been moved into emergency accommodation during the pandemic.
- £34,000 DEFRA port health transition fund to improve performance and capacity for the airport team to deal with additional work created by EU exit.

Decisions

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

2. To approve additional COVID-19 grants to be reflected in the budget, with £1.333m workforce capacity fund and £0.842m to support increased testing in care homes applied to the Adult Social Care as set out above.

3. To approve application of Additional Restriction Grant support for businesses, as set out above.

4. To approve the use of budgets to be allocated, as set out above.

5. To approve budget virements as described above.

6. To approve the use of unbudgeted external grant funding (non COVID-19) as set out above.

Exe/21/19 Capital Budget Monitoring to the end of December 2020

The Deputy Chief Executive and City Treasurer's report informed the Executive of the revised capital budget 2020/21 to 2023/24 taking account of agreed and proposed additions to the programme, profiling changes, and the latest estimates of forecast spend and resources for the 2020/21 capital programme. The report explained the major variations to forecast spend, and any impact that variations had on the five-year Capital Programme.

The forecast of expenditure for 2020/21 for the Manchester City Council capital programme was £372.1m compared to a current revised budget of £446.7m. Spend as of 31 December was £249.1m.

Appended to the report was a schedule of projects within the overall capital programme where the allocations needed to be revised and funding allocations vired between projects. The appendix showed the virement needed for each scheme and each project. We agreed to recommend the virements of more than £500,000 to the Council for approval, and to approve those below £500,000.

The prudential indicators as at the end of December 2020 were appended to the report and were noted.

Decisions

1. To recommend that the Council approve the virements over £0.5m within the capital programme as set out in Appendix 1 of these minutes.

2. To approve virements under £0.5m within the capital programme as outlined in appendix 1 of these minutes.

3. To note that approvals of movements and transfers to the capital programme, will result in a revised budget total of £372.0m to and a latest full year forecast of £372.1m. Expenditure to the end of December 2020 is £249.1m.

4. To note the prudential indicators as set out in Appendix B of the report.

Exe/21/20 Budget Overview and Strategy for 2021/22

In January a report had been considered on the budget implications of the Provisional Local Government Finance Settlement 2021/22 (Minute Exe/21/5). That had given an early assessment of the Council's financial position in the next year. The Deputy Chief Executive and City Treasurer now presented a report on the Council's overall financial strategy for 2021/22 which brought together the various components of the proposed 2021/22 budget: the Revenue Budget, the Capital Strategy, and the Housing Revenue Account, showing how these would jointly continue to reflect the Our Manchester Strategy and Corporate Plan priorities.

The report explained that the Council's net revenue budget is funded from five main sources: business rates, Council Tax, government grants, dividends, and use of reserves. In recent years the on-going reductions in central government funding had increased the importance of growing and maintaining local income and local funding sources, which was now integral to the Council's financial planning. Between 2010/11 and 2021/22 the Council's spending power (as defined by government) had reduced by £129m (21%), the average council reduction in England for the same period was 7%. For 2021/22 the situation was especially difficult: as well as the need to continue to deal with and plan for the chronic withdrawal of government funding to the Council, the Council had to address the more acute financial impacts of the COVID-19 pandemic on the Council's finances in 2021/22. The funding announced by the government in the Local Government Finance Settlement had been for a single year only, so the proposals were for the Council to adopt a one-year budget. Previously the Council had normally budgeted using a three-year financial plan.

The report presented in more detail the main elements that had been part of the Local Government Finance Settlement, which had been outlined in the January report. The assumption on the Council Tax remained as had been reported in January: that the Council would apply a 1.99% Council Tax increase in general, and a further 3% increase to provide extra funding for Adult Social Care, so a 4.99% Council Tax increase overall. In January the expected impact of the settlement on the council's 2021/22 budget was estimated at £58.87m. Since then the collection Fund position had been finalised and the estimated receipt for the Local Tax income guarantee scheme updated. The total impact on budget was now estimated at £58.7m. The summary of the being:

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

The report explained that in bringing forward the final proposals for the 2021/22 budget, that shortfall had been addressed through a prudent approach to investment income, the use of fortuitous or one-off grants and income received, and through the proposed cuts that had been identified and considered over the past few months. The overall proposed revenue budget was:

Table 2 – Proposed Revenue Budget	**2021/22 £'000**
Resources Available	
Business Rates Related Funding	155,537
Council Tax	176,857

Table 2 – Proposed Revenue Budget	**2021/22 £'000**
Grants and other External Funding	120,243
Dividends	0
Use of Reserves	184,667
Total Resources Available	**637,304**
Resources Required	
Corporate Costs:	
Levies / Statutory Charge	66,580
Contingency	4,719
Capital Financing	39,507
Transfer to Reserves	1,557
Sub Total Corporate Costs	*112,363*
Directorate Costs:	
Additional Allowances and other pension costs	9,066
Insurance Costs	2,004
Inflationary Pressures and budgets to be allocated	3,230
Directorate Budgets	510,641
Subtotal Directorate Costs	*524,941*
Total Resources Required	**637,304**
Shortfall / (surplus)	**0**

The report examined the future funding uncertainties facing the Council. The City Treasurer had examined the major assumptions used within the budget calculations and had carried out sensitivity analysis to ascertain the levels of potential risk in the assumptions being used. The key risks identified to the delivery of a balanced budget and their mitigation were set out in the report.

It was the opinion of the Chief Finance Officer that any significant budget risks to the General Fund and the Housing Revenue Account had been identified and that suitable proposals were in place to mitigate against these risks where possible. The Council's budget monitoring procedures were effective and designed to monitor high-level risks and volatile budgets. An assessment of anticipated business rates income had been carried out based on the information available and provision had been made for outstanding appeals. This was considered to be a prudent provision.

The Chief Finance Officer considered that the assumptions on which the budget has been proposed, whilst challenging, are manageable within the flexibility allowed by the General Fund balance. This, and the fact that the Council holds other reserves that could be called on if necessary, meant the Chief Finance Officer was confident that the overall budget position of the Council could be sustained within the overall level of resources available. However, to the degree that the budget savings were not achieved in a timely manner and reserves were called on to achieve a balanced position, further savings would need to be identified and implemented in order to ensure the Council's future financial stability was maintained.

Decision

To note the report and the context it provided for the detailed budget reports also being considered at the meeting.

Exe/21/21 The 2021/22 Revenue Budget

The previous item of business had set out the financial strategy and the approach that had been taken to develop the proposed budget for 2021/22. This joint report from the Chief Executive, and Deputy Chief Executive and City Treasurer set out the Revenue Budget proposal in more detail.

Prior to COVID-19 there had been a forecast of a £22m funding shortfall for the Council in for 2021/22. That had been forecast to rise to £80m by 2024/25. The intention had been to address those in the Medium-Term Financial Planning process. However, the significant financial impact from the COVID-19 pandemic now had to be added to those original forecasts, giving an underlying gross budget pressure of £166m for 2021/22.

Prior to the spending review mitigations and corporate measures of £57m had already been identified. In addition, it was proposed that £12m of airport dividends be re-profiled from 2020/21 to support the 2021/22 budget. This had resulted in pre-Spending Review budget gap of £97m. That was to be balanced through the additional funding announced in the Finance Settlement, other budget cuts and the proposed use of the 3% Adult Social Care precept. A breakdown of the budget cuts to be made was included in the report:

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

The budget being put forward had a total funding requirement of £637.304m, compared to the funding requirement in 2020/21 of £661.125m. The revised budget for 2020/21 now stood at a total of £859.289. The comparison of the budgets being

Table 2 – Budget Comparisons	Original Budget 2020/21 £'000	Revised Budget 2020/21 £'000	Proposed 2021/22 £'000
Resources Available			

Table 2 – Budget Comparisons	Original Budget 2020/21 £'000	Revised Budget 2020/21 £'000	Proposed 2021/22 £'000
Business Rates Related Funding	339,547	514,696	155,537
Council Tax	174,465	174,465	176,857
Grants and other External Funding	66,642	131,823	120,243
Dividends	15,810	900	0
Use of Reserves	69,661	37,405	184,667
Total Resources Available	**666,125**	**859,289**	**637,304**
Resources Required			
Corporate Costs:			
Levies / Statutory Charge	71,327	67,851	66,580
Contingency	860	300	4,719
Capital Financing	44,507	44,507	39,507
Transfer to Reserves	18,263	199,474	1,557
Sub Total Corporate Costs	*134,957*	*312,132*	*112,363*
Directorate Costs:			
Additional Allowances and other pension costs	9,580	9,066	9,066
Insurance Costs	2,004	2,004	2,004
Inflationary Pressures and budgets to be allocated	10,271	970	3,230
Directorate Budgets	509,313	535,117	510,641
Subtotal Directorate Costs	*531,168*	*547,157*	*524,941*
Total Resources Required	**666,125**	**859,289**	**637,304**
Shortfall / (surplus)	**0**	**0**	**0**

This budget was based on the assumption that the Council’s element of Council Tax would increase by 1.99% along with a further 3% specifically for adult social care. When the Greater Manchester Council Tax precept increases were added to the Council’s own the total increase for Manchester’s Council Tax Payers was anticipated as being 4.7%.

The assumption for the council tax collection rate was 94.5%. This was reduced from 2020/21 as a result of the reduced collection being experienced due to the pandemic.

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

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

Table 3 - Other Non-Ringfenced Grants and Contributions	2021/22 £'000

Table 3 - Other Non-Ringfenced Grants and Contributions	2021/22 £'000
Better Care Fund (Improved)	30,815
Children's and Adult's Social Care Grant	23,877
Lower Tier Services Grant	1,236
New Homes Bonus	8,330
Contribution from MHCC	4,000
GMCA Rebate	0
Education Services Grant	1,200
Housing Benefit Admin Subsidy	2,514
Fortuitous Income (one off)	0
R&B additional grants (New Burdens)	0
Council Tax Support Admin Subsidy	856
Care Act Grants	95
Business Rates Returned Levy	
COVID 19 Emergency funding	22,229
Local Council Tax Support grant	5,709
COVID grant for Sales, fees and charges losses	4,481
Loan Income from Airport	14,901
Total Non Ring-fenced Grants	**120,243**

Use of reserves to support the corporate revenue budget was £34.461m in 2020/21 and was proposed to be £187.141m in 2021/22. The report noted that the 2021/22 amount included £139.075m relating to Business Rates Section 31 grant for Extended Retail relief.

No new Airport Dividend from the Manchester Airport Group was being budgeted for in 2021/22. Likewise, no dividend income was being budgeted for Manchester Central, NCP Manchester Central, and Manchester Piccadilly. The report explained the plan to utilise the 2020/21 closing balance of the Airport Dividend Reserve over the next three years.

The report then went on to examine the use of resources and the proposed revenue expenditure by the Council in 2021/22. The forecast of levy payments the Council would have to make to other authorities in 2021/22 was:

Table 4 – Levy Payments to other Bodies	Proposed 2021/22 £'000
Transport Levy	37,525
GM Waste Disposal Authority	28,731
Environment Agency	230
Probation (Residual Debt)	7
Magistrates Court (Residual Debt)	9
Port Health Authority	78
Statutory Charge to GMCA	0
Net Cost of Levies	**66,580**

Although included within the table of levies, the Waste Levy was administered by the Neighbourhoods Directorate and would be included within the Directorate’s budget.

A contingency provision of £4.719m was being proposed, including:
- £1.254m in relation to risks around the waste levy and collection;
- a £2.8m contingency until the pay negotiations for local government employees had been concluded; and
- £0.6m as an unallocated contingency to meet future unforeseen expenses.

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

The capital financing budget of £39.507m was to cover the costs of borrowing. In 2021/22 that was forecast to include:
- interest costs of £22.8m;
- interest receivable of £43.9m;
- Minimum Revenue Provision (MRP) of £31.1m, being the provision for the repayment of debt incurred to fund an asset, spread over the useful economic life of the asset;
- Debt Management Expenses of £3.5m; and
- contributions to the Capital Fund Reserve of £26.0m.

Specific transfers to reserves of £1.557m were being proposed in 202/22, and those were explained in the report.

Allowances of £9.066m had also been made for retired staff and teachers' pensions to meet the cost of added-years payments awarded to former employees.

The report explained the main assumptions that had been made when calculating provision to be made for inflation and other anticipated costs. These could not, at this point in time, be allocated to Directorate or other budgets. They would instead be allocated throughout the coming year. The total provision being proposed was £3.23m, broken down into:

Table 5 – Inflationary Pressures to be Allocated	**2021/22 £'000**
Non-Pay Inflation	1,981
Pay Inflation	0
Pension Contribution	0
Apprenticeship Levy 0.5%	999
Further pressures including Domestic Violence Prevention	0
Digital City work	250
Electricity and gas savings	
Contribution to Cemeteries Reserve	0
Total	**3,230**

Not included in these figures was the allocation relating to the Health and Social Care pooled budget as they had been included within Adult Social Care cash-limit budget: £1.9m for the National Living Wage and £1.6m for non-pay inflation.

The report explained that the Council holds a number of reserves, all of which, aside from the General Fund Reserve, had been set aside to meet specific future expenditure or risks. A fundamental review of all the reserves held had been carried out as part of the budget setting process. The reserves include:

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

The report set out the planned use of reserves in 2021/22 to support revenue expenditure. It also explained the statutory requirement to place income generated from on-street parking and bus lane enforcement into separate reserves. These reserves could only be used to fund certain types of highway and environmental improvements, and provided there was no requirement for the Council to provide additional off street parking or for financial support to existing off street parking. The expected balance on these reserves at the 1 April 2021 was £11.573m. It was estimated that £10.174m would be added to these reserves during 2021/22 and £5.092m used to support the transport levy and £4.694m to fund eligible spend with the Neighbourhoods directorate. This would leave a balance of £11.961m at the year-end.

The total planned use of reserves was:

Table 6 – Planned use of Reserves	**2021/22 £'000**
Reserves directly supporting the revenue budget:	
COVID-19 Emergency Funding tranche 1	
Business Rates Reserve	155,633
Budget smoothing reserve	11,266
Bus Lane (supporting Transport Levy)	5,092
Capital Fund - Supporting the revenue budget	7,763
Airport Dividend Reserve	4,913
Sub Total reserves directly supporting the revenue budget	**184,667**
Smoothing prior to mainstreaming in 2022/23	
Anti Social Behaviour Team	540
Social care Reserve – to fund investment into Children's Social Care	7,446
Adult Social Care - to fund investment into the Improvement Plan	6,150
Our Manchester Reserve	2,802
Sub Total to be mainstreamed	**16,938**
Bus Lane and Parking reserves	4,694
Other Statutory Reserves	308

Table 6 – Planned use of Reserves	2021/22 £'000
Balances Held for PFI's	349
Reserves held to smooth risk / assurance:	
Transformation Reserve	333
Other Reserves held to smooth risk / assurance	6,717
Reserves held to support capital schemes:	
Capital Fund	13,137
Investment Reserve	1,819
Manchester International Festival Reserve	1,060
Eastlands Reserve	5,248
Enterprise zone reserve	1,061
Other reserves held to support capital schemes	0
Reserves held to support growth and reform:	
Clean City Reserve	0
Better Care Reserve	3,375
Town Hall Reserve	3,075
Other Reserves to support growth and reform	1,150
Direct grants for Grants COVID-19 responsibilities	12,588
Grants and Contributions used to meet commitments over more than one year	1,958
Small Specific Reserves	671
School Reserves	0
	259,149

The report set out the purpose of these and Appendix 3 of the report showed the annual movement and projected balances to April 2025. Earmarked reserves were forecast to reduce from £349m to £98m.

The proposals for the Directorates' cash limit budgets were detailed in the Directorate Budgets 2021/22 reports that were also being considered at the meeting (Minute Exe/21/22 to 21/27 below). The overall position was:

Table 7 – Directorate Budgets	Gross Budget 2021/22 £'000	Net Budget 2021/22 £'000
Children's	509,879	118,761
Health and Social Care Pooled Budget contribution for ASC	273,383	218,911
Adult Social Care - services out of scope of Pooled Budget	7,781	4,856
Homelessness	56,087	27,495
Corporate Core	323,773	65,501
Neighbourhoods	168,588	64,535
Growth and Development	58,508	10,582
Total	**1,397,999**	**510,641**

The report explained that the budget proposals would have a direct workforce impact. In order to support the delivery of the required budget there was a need to deliver savings of £5.442m from the workforce. This required an indicative FTE reduction of 161 positions, split between vacant and occupied posts. This was an indicative FTE reduction and the exact number and split between vacant and occupied posts was to be determined as the workforce savings proposals were implemented. The detailed proposals were set out within the individual Directorate Budget Reports elsewhere on the agenda for this meeting.

To support the achievement of the workforce savings an Efficiency Early Release Scheme (comprising Efficiency Severance and Early Retirement) had been approved by Personnel Committee in November 2020 (Minute PE/20/22). The scheme had now closed. The success of that scheme would be dependent on the numbers of staff accepting their severance offers and the ability of the organisation to facilitate workforce movement where required.

The summary of the workforce implications and staff reductions was:

Table 8 – Workforce Implications	2020/21 Posts	2020/21 Saving Proposals Gross FTE Impact (Indicative)					
		Vacant Posts		Occupied Posts		Total	
	FTE	FTE	£'000	FTE	£'000	FTE	£'000
MHCC Pooled Budget	1,529.11	0.0	0	0.0	0	0.0	0
Adult Social Care – Services out of scope of Pooled Budget	52.50	0.0	0	0.0	0	0.0	0
Homelessness	276.00	3.0	89	4.0	159	7.0	248
Children and Education Services	1,316.00	8.5	191	5.5	247	14.0	438
Corporate Core	1,733.25	53.8	1,978	61.8	2,015	115.6	3,993
Neighbourhoods (including Highways)	1,470.00	0.0	0	2.0	64	2.0	64
Growth and Development	650.40	22.4	699	0.0	0	22.4	699
Total	**7,027.26**	**87.7**	**2,957**	**73.3**	**2,485**	**161.0**	**5,442**

Decisions

1. To note that the financial position has been based on the Final Local Government Finance Settlement announced on 4 February together with any further announcements at that date.

2. That the resources available to the Council are utilised to support the financial position to best effect, including use of reserves and dividends; consideration of the updated Council Tax and Business Rates position; the financing of capital investment, and the availability and application of grants (including Covid-19 allocations).

3. To note the anticipated financial position for the Authority for the period of 2020/21 to 2021/22 which is based on all proposals being agreed.

4. Note that the Capital Strategy and Budget 2020/21 to 2024/25 have been presented alongside this report (Minute Exe/21/xxx below).

6. To note the Deputy Chief Executive and City Treasurer’s review of the robustness of the estimates and the adequacy of the reserves. This is covered in the previous report (Minute Exe/21/xx above).

7. To recommend that the Council approve, as elements of the budget for 2021/22:
   a. an increase in the basic amount of Council Tax (i.e., the Council’s element of Council Tax) by 1.99%. The Council has consulted on the 3% Adult Social Care precept increase. If agreed, it is proposed to prioritise this resource to support care budget pressures and notably the impact of COVID-19 on care for residents both to support new and increased needs and complexity.

   b. the contingency sum of £1.854m.

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

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

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

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

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

9. To delegate authority to the Deputy Chief Executive and City Treasurer and Chief Executive to agree the use of the Social Care Reserve in consultation with Executive Members for Finance and Human Resources and Children's Services

10. To approve the gross and net Directorate cash limits as set out in Table 7 above.

11. To approve the in-principal contribution to the Health and Social Care Pooled Budget, and subject to the future approval of a new S75 Agreement.

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

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

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

15. To recommend that the Council approve and adopt the budget for 2021/22.

Exe/21/22 Children and Education Services Budget 2021/22

The report of the Strategic Director explained how the budget proposals for the Directorate had been developed and subjected to analysis by Scrutiny Committees over the previous months. Possible budget saving proposals had been put forward in November and refined and modified in response to the views of councillors and other stakeholders.

For 2021/22 the total of identified savings was £12.359m. There was confidence that those were deliverable. The savings were detailed in the report and listed in the appendix to the report. The options developed by officers had reflected the Directorate's budgetary approach:
- Options for cost avoidance and those associated with the delivery of services to children with high/complex needs through transforming services and increasing the range and choice of placements (sufficiency)
- Options to accelerate the pace and ambition of collaboration with partners
- Options which aim to remove duplication and develop a shared understanding of how services could deliver tasks effectively and efficiently. These include options for service reductions which would enable the Directorate to deliver a balanced budget whilst enabling the Council to meet its statutory duties
- Options for income generation

Having applied the proposed savings, and other changes needed to deal with new demands within the directorate, the net budget for the Directorate was:

	2020/21 Budget £'000	Approved savings £'000	Other Changes £'000	2021/22 Budget £'000
Children's Safeguarding	110,073	-10,220	5,753	**105,606**
Education	17,466	-1,929	274	**15,811**
Core and Back Office	4,689	-210	0	**4,479**
Total	**132,228**	**- 12,359**	**6,027**	**125,896**

It was noted that the Directorate Budget report had also been considered at a recent meeting of the Children and Young People Scrutiny Committee where the committee expressed its concerns about the Council's financial position and the impact on the Directorate budget (Minute CYP/21/08).

Decision

To approve the Directorate budget proposals as set out in the report.

Exe/21/23 Adult Social Care and Population Health Budget 2021/22

A report by the Strategic Director explained that for 2021/22, the budget plan for Adult Social Care was to be essentially part of the Manchester Local Care Organisation (MLCO) Operational Plan. The MCLO Operating Plan for 2021/22 was currently in development, with a final draft of the plan expected by the end of April 2021. The MLCO Operating Plan for 2021/22 would comprise:
- an overarching organisation-wide Operating Plan for 2021/22;
- 13 INT service plans;
- service plans for the specialist community (health and social care) services provided to the residents of Manchester that would interact with, but may be delivered on a wider scale than in our neighbourhoods, such as specialist podiatry services or our citywide equipment services; and
- a financial strategy and budget plan for 2021/22.

The priorities within the plan were to be:
- A population health driven approach to service planning and delivery; supporting prevention programmes to improve the health of the people of Manchester
- Consolidating and strengthening our neighbourhood approach; supporting our 12 Integrated Neighbourhood Teams (INTs) to make an impact on their communities and continuing to integrate the operations of our community health and social care teams
- Continue to design and deliver safe, effective and efficient services to people in our communities
- Mobilising primary care leadership at the heart of the MLCO; formalising the governance between primary care and MLCO to ensure joint working with the new Primary Care Networks

- Playing a lead role in system resilience; helping people get the right care in the right place with a community first ethos
- Deliver the agreed phased approach to the increasing scope of the MLCO as an integrated health and care organisation; delivering public service reform in the place

The report examined the elements of the Council's own budgets that were within and outside of the pooled budget arrangements for the MLCO. The key changes and pressures that had been addressed in 2021/22 were set out, as were the savings proposals where such had been possible. The overall budget was therefore:

Service Area	**2020/21 Net Budget £'000**	**Approved Net Savings £'000**	**Other Changes £'000**	**2021/22 Net Budget £'000**
Localities	8,494	0	812	**9,306**
Reablement	5,361	1,421	0	**6,782**
Learning Disability	70,216	-5,006	1,090	**66,300**
Mental Health	27,111	0	0	**27,111**
Other Care	47,544	-2,512	9,182	**54,214**
Public Health	39,717	0	1,832	**41,549**
Commissioning	11,442	0	-5,688	**5,755**
Specialist and support services	3,686	-5,500	2,961	**1,148**
Demography, Inflation and National Living Wage	2,576		6,321	**8,897**
Pooled Budget	**216,147**	**-11,597**	**16,511**	**221,061**
Asylum	57	0	0	**57**
Voluntary & Community Sector	2,097	0	0	**2,097**
Safeguarding	2,702	0	0	**2,702**
Other ASC	**4,856**	**0**	**0**	**4,856**
Total	**221,003**	**-11,597**	**16,511**	**225,917**

It was noted that the budget report had also been considered at a recent meeting of the Health Scrutiny Committee and the committee had endorsed the proposals in the report (Minute HSC/21/09).

Decision

To approve the Directorate budget proposals as set out in the report.

Exe/21/24 Neighbourhoods Directorate Budget 2021/22

The report of the Strategic Director explained how the budget proposals for the Directorate had been developed and subjected to analysis by Scrutiny Committees over the previous few months. Possible budget saving proposals had been put forward in November and refined and modified in response to the views of councillors and other stakeholders. The Neighbourhoods Directorate had identified savings of

£7.376m which would require a staffing reduction of 2 FTE. Due to the lead in time involved in some of the changes that £7.376m would be phased over the period 2021/22- 2024/25, with an initial £6.683m being delivered in 2021/22. Each of the proposed savings was described in the report and a schedule of all the savings was appended to the report. Other changes and investments needed were also set out in the report. Taken together, the budget proposals were:

Service Area	**2020/21 Net Budget £'000**	**Approved Savings £'000**	**Investment and other changes £'000**	**2021/22 Net Budget £'000**
Compliance	8,581	(301)	357	8,637
Community Safety	2,322	0	0	2,322
Libraries, Galleries and Culture	9,316	0	51	9,367
Management and Directorate Support	1,120	0	0	1,120
Neighbourhood Teams	2,627	0	0	2,627
Other Neighbourhoods	455	0	0	455
Parks, Leisure, Youth and Events	7,563	(127)	1,718	9,154
Operations and Commissioning	18,730	(1,660)	903	17,973
Waste Disposal Levy	30,051	0	(1,320)	28,731
Highways Service	14,738	(4,595)	2,836	12,979
Total	**95,503**	**(6,683)**	**4,545**	**93,365**

One of the proposals in the budget report was to avoid £110,000 of future costs by withdrawing the operating subsidy to the Wythenshawe Indoor Market. It was proposed that the indoor market be closed, and that support be offered to the traders to access alternative sites in the outdoor market or elsewhere within the City. The meeting was addressed by Councillor Newman, a Woodhouse Park Ward councillor, who spoke against this proposed saving. Councillor Newman explained the importance of the indoor market as an iconic feature of the town's centre. Closure of the market at the end of March 2021 would be a blow to the morale of the members of the local community who, like many others in the city, have suffered many hardships and difficulties throughout the pandemic. He asked if the Executive would consider continuing the subsidy for a further six months to allow time for the local councillors and the council's staff to work with the traders and the Wythenshawe Town Centre managers to develop a plan to ensure the financial sustainability of the market.

In response to this the Deputy Chief Executive and City Treasurer explained that the Government had recently announced that the Council was to receive a further £50,000 of New Burdens funding that had not been anticipated, and the application of that money would release the funds from elsewhere to allow the market subsidy to continue for six months. The Executive was therefore happy to support Councillor Newman's request and to recommend the appropriate adjustment be made to the Neighbourhoods Directorate budget.

It was noted that the Directorate Budget had also been considered at a recent meeting of the Communities and Equalities Scrutiny Committee (Minute

CESC/21/08), and also at a meeting of the Neighbourhoods and Environment Scrutiny Committee (Minute NESC/21/09). The views of each committee were noted.

Decision

To approve the Directorate budget proposals as set out in the report, amended to include the addition of the funds to allow the Wythenshawe Indoor Market subsidy to continue until the end of September 2021.

Exe/21/25 Homelessness Directorate Budget 2021/22

The report of the Director explained how the budget proposals for the Directorate had been developed and subjected to analysis by Scrutiny Committees over the previous few months. Possible budget saving proposals had been put forward in November and refined and modified in response to the views of councillors and other stakeholders. the Homelessness savings proposals would deliver £2.335m in 2021/22. Each of the proposed savings was described in the report and a schedule of all the savings was appended to the report. Other changes and investments needed were also set out in the report. Taken together, the budget proposals were:

Service Area	2020/21 Net Budget £'000	Approved savings £'000	Other changes £'000	2021/22 Net Budget £'000
Singles Accommodation	1,676	(1,400)	5,656	**5,932**
B&B's	3,974		0	**3,974**
Families Specialist Accommodation	299	(51)	0	**248**
Dispersed Temporary Accommodation	3,586	0	1,937	**5,523**
Homelessness Management	757	(197)	0	**560**
Homelessness Assessment & Caseworkers	2,629	0	173	**2,802**
Homelessness PRS & Move on	792	0	0	**792**
Rough Sleeper Outreach	397	0	0	**397**
Tenancy Compliance	201	0	0	**201**
Commissioned Services	1,210	(687)	6,543	**7,066**
Total	**15,521**	**(2,335)**	**14,309**	**27,495**

It was noted that the Directorate Budget report had also been considered at a recent meeting of the Neighbourhoods and Environment Scrutiny Committee and the committee had endorsed the budget proposals (Minute NESC/21/10).

Decision

To approve the Directorate budget proposals as set out in the report.

Exe/21/26 Growth and Development Directorate Budget 2021/22

The report of the Strategic Director explained how the budget proposals for the Directorate had been developed over the previous few months, and subjected to analysis by Scrutiny Committees. Possible budget saving proposals had been put forward in November and refined and modified in response to the views of councillors and other stakeholders. The Directorate had identified proposed budget reductions of £2.314m. Those would involve a staffing reduction of 22 FTE. Due to lead in time around required investments and timing on the ability to exit some contracts and leases, the £2.314m would be phased over the period 2021/22- 2024/25, with an initial £2.024m being delivered in 2021/22. Each of the proposed savings was described in the report and a schedule of all the savings was appended to the report. Other changes and investments needed were also set out in the report. Taken together, the budget proposals were:

Service Area	2020/21 Net Budget £'000	Approved savings £'000	Investment and other changes £'000	2021/22 Net Budget £'000
City Centre Regen	1,234	0	2,000	**3,234**
Strategic Development	164	0	0	**164**
Facilities Management	9,687	(270)	0	**9,417**
Housing and Residential Growth	1,445	(190)	(100)	**1,155**
Operational Property	8,145	(646)	(1,000)	**6,499**
Planning, Building Control and Licensing	(588)	(393)	751	**(230)**
Investment Estate	(11,904)	(375)	2,999	**(9,280)**
Work and Skills and MAES	1,773	(150)	0	**1,623**
Total	**9,956**	**(2,024)**	**4,650**	**12,582**

At the meeting it was explained that the proposed saving of £393,000 from Planning and Building Control was linked to a review and restructuring of that service. That review was underway and so the actual extent of the savings that could be achieved would depend on that outcome of that work. The budget being proposed in the report might therefore need to be amended during the year to take account of this.

It was noted that the Directorate Budget report had also been considered at a recent meeting of the Economy Scrutiny Committee and the committee had endorsed the proposals in the report (Minute ESC/02/11).

Decision

To approve the Directorate budget proposals as set out in the report.

Exe/21/27 Corporate Core Budget 2021/22

The report of the Strategic Director explained how the budget proposals for the Directorate had been developed over the previous few months, and subjected to analysis by Scrutiny Committees. Possible budget saving proposals had been put forward in November and refined and modified in response to the views of councillors and other stakeholders. The Core Directorate had identified proposed budget reductions of £6.281m which would involve a staffing reduction of 115.1 FTE. As part of advance preparation for the proposed budget reductions, and the need to reduce staff numbers, services had not been recruiting unless the post was considered to be essential. There were currently 54 vacancies identified as being able to contribute towards the overall staff reduction. The report described each of the proposed savings and staffing reductions in detail. It also set out the other changes that had been made as part of developing the overall budget plan for the next year. Taken together the proposed budget was:

Subjective Heading	**2020/2021 Budget £'000**	**2021/2022 Budget £'000**
Expenditure:		
Employees	76,149	72,037
Running Expenses	237,185	241,517
Capital Financing Costs	-	-
Contribution to reserves	10,501	10,219
Total Subjective Expenditure	323,835	323,773
Less:		
Other Internal sales	(15,601)	(15,601)
Gross Expenditure	(15,601)	(15,601)
Income:		
Government Grants	(184,309)	(184,322)
Contributions from Reserves	(3,619)	(9,229)
Other Grants Reimbursements and contributions	(5,036)	(5,041)
Customer and Client Receipts	(32,189)	(30,985)
Other Income	(11,797)	(11,797)
Total Net Budget	**71,284**	**66,798**

At the meeting it was announced that a further saving was going to be sought through reductions in the allowances and expenses paid to some councillors. The desire was to suspend the expenses payments to the Deputy Lord Mayors for a period of three years, and also to suspend for three years the Special Responsibility Allowances (SRA) for two Executive Members, two Assistant Executive members, and the Deputy Chair of the Planning and Highways Committee. It was also desired that the SRA payments that applied to roles within the Opposition Group on the Council should be reduced from three to one. If those changes were made then there would be further savings to be applied to the Corporate Core budget on top of those already being proposed in the report.

It was noted that the Directorate Budget report had also been considered at a recent meeting of the Resources and Governance Scrutiny Committee and the committee had endorsed the proposals in the report (Minute RGSC/21/11).

Decision

To approve the Directorate budget proposals as set out in the report, and to recommend that the Council considers how to secure additional savings from councillors’ expenses and allowances.

Exe/21/28 School Budget 2021/22

Dedicated School Grant (DSG) is a ring fenced grant of which the majority is used to fund individual schools’ budgets in maintained schools and academies in the city, early-years nursery entitlement and provision for pupils with high needs, including those with Education Health & Care Plans (EHCPs) in special schools, special provision and mainstream schools in Manchester and out of city.

A report submitted by the Strategic Director for Children and Education Services explained how the allocated DSG was distributed across the schools and supported establishments in Manchester.

The report explained that for 2021/22 the DSG would be made up of four blocks: schools block, early years block, high needs block and central services schools block. It was reported that Manchester was to receive a total DSG of £602.626m The overall increase in grant compared to 2020/21 was £42.477m. The most significant elements of that increase were

- £10.611m increase in the school block
- £9.184m uplift in the high needs block
- £19.498m for the transfer of the Teacher’s Pay Grant and Teacher’s Pension Grants into the DSG

The breakdown of the DSG in 2021/22, compared to 2020/21 would be:

	Schools £m	Central School Services Block £m	High Needs £m	Early Years £m	Total £m
Retained School	2.392	3.661	30.188	1.262	**37.503**
Individual School	423.552	0	58.939	40.155	**522.646**
DSG 2020/21	**425.944**	**3.661**	**89.127**	**41.417**	**560.149**
Retained School	1.100	3.902	33.884	1.569	**40.455**
Individual School	455.100	0	66.699	40.372	**562.171**
DSG 2021/22	**456.200**	**3.902**	**100.583**	**41.941**	**602.626**

It was noted that the Schools Budget report had also been considered at a recent meeting of the Children and Young People Scrutiny Committee where the committee expressed its concerns about the Council’s financial position and the impact on the education budgets (Minute CYP/21/09).

Decision

To approve the schools’ budget proposals as set out in the report.

Exe/21/29 Housing Revenue Account 2021/22 to 2023/24

Councillor Midgely declared a personal interest in this item of business, knowing an employee of Northwards Housing.

A joint report by the Strategic Director (Growth and Development) and Deputy Chief Executive and City Treasurer presented the proposed budget for the Housing Revenue Account (HRA) for 2021/22 and indicative budgets for 2022/23 and 2023/24.

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

- the Council had to formulate proposals or income and expenditure for the financial year which sought to ensure that the HRA would not show a deficit balance;
- to keep a HRA in accordance with proper practice to ensure that the HRA is in balance taking one year with another; and
- the HRA must, in general, balance on a year-to-year basis so that the costs of running the Housing Service must be met from HRA income.

Under a variety of arrangements, the Council owns and manage around 15,500 properties within the HRA. The arrangements included PFI schemes and the stock managed by either Northwards Housing or other Registered Social Landlords. During 2020/21 the Council was anticipating selling around 80 properties under the Right to Buy scheme.

Included in the report was the forecast for the HRA in 2020/21 to have an in-year surplus of £5.148m, compared to the original balanced budget set in 2020 (Minute Exe/20/18). The main reasons for that variation were explained in the report. They were mainly due to underspending on the revenue contributions to capital outlay (RCCO).

In 2020/21 the Government had allowed local authorities to increase rents by a maximum of the Consumer Prices Index (CPI) plus 1%. That was provision was to continue up to 2024/25. The CPI at September 2020 had been 0.5% so the report proposed that tenants' rents for all properties should increase by 1.5% in April 2021.

Gas for the communal heating systems was sourced as part of the City Council's overall gas contract. The existing wholesale gas contract expired shortly, and latest prices indicated that the current wholesale gas price would reduce by 10% with effect from April 2021. Therefore, in order to ensure that the costs of gas used were recovered through the tariffs charged for tenants and residents on a scheme-by-scheme basis, it would be necessary to vary the current heating charges by between +5% and -20%. Appended to the report was a complete schedule of proposed heating tariffs for pay by rent and pay by prepayment card, showing the percentage change for 2021/22. More than half the properties involved would see their gas heating charge decrease, with the average being around a 5% reduction.

Given that a change in the control of the housing stock currently being managed by Northwards Housing was being considered (Minute Exe/21/15) it was felt that the Management Fee for Northwards should continue at the level agreed in 2020/21.

In order to ensure that the increase applied to garage rents remained in line with that applied to dwelling rents, it was proposed that 2021/22 garage rents be increased by 1.5%, which would see an increase in the rental of between 3p and 7p per week. The charges being:

Table 1 – Garage Rents	Weekly Charge 2020/21	Weekly Charge 2021/22	Weekly Increase
Site Only	£1.90	£1.93	£0.03
Prefabricated	£4.22	£4.28	£0.06
Brick Built	£4.96	£5.03	£0.07

The report also explained the other key changes in the HRA budget for 2021/22, and the full budget was presented as set out below.

Table 2 – the HRA Budget	2020/21 (Forecast) £000	2021/22 £000	2022/23 £000	2023/24 £000
Income				
Housing Rents	(61,027)	(61,617)	(62,813)	(64,034)
Heating Income	(623)	(533)	(543)	(554)
PFI Credit	(23,374)	(23,374)	(23,374)	(23,374)
Other Income	(984)	(1,132)	(1,107)	(1,083)
Funding (from)/to General HRA Reserve	5,148	(16,494)	(15,448)	4,952
Total Income	**(80,860)**	**(103,150)**	**(103,285)**	**(84,093)**
Expenditure				
R&M & Management Fee	21,097	25,415	24,170	23,368
PFI Contractor Payments	34,084	32,476	33,054	32,303
Communal Heating	607	532	542	553
Supervision and Management	5,391	5,254	5,319	5,356
Contribution to Bad Debts	547	930	1,264	1,611
Depreciation	17,378	18,435	18,602	18,790
Other Expenditure	1,393	1,105	931	949
RCCO	(2,416)	16,241	16,673	(1,539)
Interest Payable and similar charges	2,779	2,762	2,730	2,702
Total Expenditure	**80,860**	**103,150**	**103,285**	**84,093**
Total Reserves:				
Opening Balance	(111,871)	(117,019)	(100,525)	(85,077)
Funding (from)/to Revenue	(5,148)	16,494	15,448	(4,952)
Closing Balance	**(117,019)**	**(100,525)**	**(85,077)**	**(90,029)**

It was noted that an earlier version of the HRA budget report had also been considered at a meeting of the Resources and Governance Scrutiny Committee in January where the committee had noted the proposals in the report (Minute RGSC/21/05).

Decisions

1. To note the forecast 2020/21 HRA outturn as set out in the report.

2. To approve the 2021/22 HRA budget as set out above and note the indicative budgets for 2022/23 and 2023/24.

3. To approve the proposed 1.5% increase to dwelling rents, and to delegate authority to set individual property rents to the Director of Housing and Residential Growth and the Deputy Chief Executive and City Treasurer, in consultation with the Executive Member for Housing and Regeneration and the Executive Member for Finance and Human Resources.

4. To approve the proposal that where the 2021/22 rent is not yet at the formula rent level, the rent is revised to the formula rent level when the property is re-let.

5. To approve the proposed 2021/22 changes for communal heating charges as detailed in the report.

6. To approve the proposals for 2021/for the 22 Northwards management fee as set out in the report.

7. To approve the proposed increase in garage rental charges as set out above.

Exe/21/30 Capital Strategy and Budget 2020/21 to 2024/25

Councillor Midgely declared a personal interest in this item of business, knowing an employee of Northwards Housing.

Consideration was given to the report submitted by the City Treasurer. The report presented the capital budget proposals before their submission to the Council.

The capital programme 2020/21 to 2024/25 comprised the continuation of the existing programme. For continuing schemes, the position was based on that set out in the report on Capital Programme Monitoring 2020/21, also being considered at this meeting (Minute Exe/21/19 above).

Also included were those future projects which were considered likely to be brought forward, subject to the submission of a successful business case. For any project seeking capital expenditure approval a business case must be drafted, covering:
- how the project links to the City Council’s strategic priorities, social value, and any statutory requirements;
- what economic value the project will provide to the City, including social value;
- funding model, with evidence of cost and capital and revenue implications;
- timescale for delivery and identification of risks to the project, including legal issues; and
- what the project will achieve, and the benefits that will be realised.

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

If agreed, then the proposals contained in the report would create a capital programme of £479.6m in 2021/22, £331.8m in 2022/23, £135.1 in 2023/24 and £36.3m in 2024/25. A summary of the programme was:

Table 1 – Summary Programme	**2020/21 budget** £m	**2021/22 budget** £m	**2022/23 budget** £m	**2023/24 budget** £m	**2024/25 budget** £m	**Total** £m	**Total 21/22-24/25** £m
Highways	53.0	63.6	2.7	2.2	0.0	**121.5**	**68.5**
Neighbourhoods	10.4	30.0	29.9	13.4	0.0	**83.7**	**73.3**
Growth	87.6	152.1	80.9	33.1	0.0	**353.7**	**266.1**
Town Hall Refurbishment	34.6	63.6	88.2	57.5	36.2	**280.1**	**245.5**
Housing – General Fund	13.9	18.8	11.2	12.7	0.1	**56.7**	**42.8**
Housing – HRA	16.1	40.2	45.5	3.2	0.0	**105.0**	**88.9**
Children's Services (Schools)	37.2	39.0	44.9	0.0	0.0	**121.1**	**83.9**
ICT	3.8	8.8	12.9	7.7	0.0	**33.2**	**29.4**
Adults, Children's and Corporate Services	115.6	63.5	15.6	5.3	0.0	**200.0**	**84.4**
Total Programme	**372.2**	**479.6**	**331.8**	**135.1**	**36.3**	**1,355.0**	**982.8**

The proposed funding for the programme in 2021/22 was:

Table 2 – Funding in 2021/22	**Housing Programmes**		**Other Programmes**	**Total**
	HRA	**Non-HRA**		
	£m	**£m**	**£m**	**£m**
Borrowing	0.0	0.7	257.8	**258.5**
Capital Receipts	1.6	3.3	25.1	**30.0**
Contributions	0.0	0.4	36.4	**36.8**
Grant	1.8	10.4	97.4	**109.6**
Revenue Contribution to Capital Outlay	36.8	0.0	7.9	**44.7**
Total	**40.2**	**14.8**	**424.6**	**479.6**

The revenue budget proposals set out in the report on the Revenue Budget 2021/22 included provision to finance this level of borrowing (Minute Exe/21/21 above).

The report explained that a number of schemes which had been developed and were ready for inclusion in the capital programme. Support was given for five capital budget changes. Taken together these schemes would increase the capital

Programme by £0.186m in 2020/21 and by £32.495m in 2021/22, funded by external contributions and government grant. Approval was given to:

- Highways: City Centre (Triangle) Active Travel Fund Scheme – a capital budget increase of £4.0m in 2021/22.
- Highways: Wythenshawe Active Travel Fund Scheme - a capital budget increase of £1.5m in 2021/22.
- Growth: Public Sector Decarbonisation Scheme - a capital budget increase of £0.041m in 2020/21 and £22.943m in 2021/22.
- Private Sector Housing: Social Housing Decarbonisation Fund - a capital budget increase of £0.075m in 2020/21 and £3.045m in 2021/22.
- Additional Disabled Facilities Grant (DFG) - a capital budget increase of £1.007m in 2021/22.

Decisions

The Executive is requested to:

1. To approve and recommend the report to Council.

2. To approve under delegated powers the five capital budget changes set out above.

2. To note the capital strategy.

3. To note that the profile of spend is provisional, and a further update will be provided in the outturn report for 2020/21.

4. To delegate authority to the Deputy Chief Executive and City Treasurer in consultation with the Executive Member for Finance and Human Resources to make alterations to the schedules for the capital programme 2020/21 to 2024/25 prior to their submission to Council for approval, subject to no changes being made to the overall estimated total cost of each individual project.

Exe/21/31 Treasury Management Strategy Statement 2021/22, including Borrowing Limits and Annual Investment Strategy

The Council's Treasury Management policy complies with the revised CIPFA Code of Practice on Treasury Management. The Council adopted this in March 2010.

The Local Government Act 2003 and supporting regulations require the Council to have regard to the Prudential Code for Capital Finance in Local Authorities and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

The proposed strategy for 2021/22 was based upon the views of Treasury officers on interest rates, informed by leading market forecasts. The Strategy covered:

Prudential and Treasury Indicators

Minimum Revenue Provision Strategy
Treasury Management Policy Statement
Treasury Management Scheme of Delegation
Borrowing Requirement
Borrowing Strategy
Annual Investment Strategy

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

Decisions

1. To recommend the report to Council.

2. To 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.

Exe/21/38 Appendix to the Minutes

Appendix 1 – Capital Project Budget Virements (for Minute Exe/21/19)

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

Project Name	2020/21 In year virement proposed	2021/22 In year virement proposed	2022/23 In year virement proposed	2023/24 In year virement proposed
Newton Heath Troydale and Croyden Drive Low Rise Estates	-52	-32		
Retirement blocks various works				115
Retirement blocks lift replacement apprentice and edward grant courts		-114		
Delivery Costs	-325	-7		
Improvements to Homeless accommodation city wide		-12		
Improvements to Homeless Accommodation Phase 2			12	
Delivery Costs	-17			
Adaptations		-52		
Various Locations - Adaptations			52	
Delivery Costs	-2	-4		
Northwards Housing Programme - Unallocated	528	163	-96	-133
Total Public Sector Housing (HRA) Programme	**0**	**0**	**0**	**0**
Plymouth Grove Refurbishment	-85			
Piper Hill Special School	15			
SEND Expansions - Melland and Ashgate	3			
Basic need - unallocated funds	67			
Lily Lane Prim Windows		50		
St.Augustine's	-2			
Mauldeth Road Rewire	-94			
Button Lane Primary Fire Alarm	-25			
Charlestown Comm Fire Alarm/Lighting	-38			
Northenden Primary Pipework and Radiators	-23			
Crowcroft Park roof repairs	-79			
Abbott Kitchen ventilation	-60			
Manley Park Primary roof repairs	-50			
Schools Capital Maintenance - unallocated	371	-50		
Total Children's Services Programme	**0**	**0**	**0**	**0**
Internet Resilience	-3			
ICT Investment Plan	3			
Total ICT Programme	**0**	**0**	**0**	**0**
Total Capital Programme	**0**	**0**	**0**	**0**

Manchester City Council
Report for Information

Report To:	Executive – 17 February 2021 Resources and Governance Scrutiny Committee – 1 March 2021 Council – 5 March 2021
Subject:	Capital Strategy and Budget 2020/21 to 2024/25
Report of:	Chief Executive and Deputy Chief Executive and City Treasurer

Summary

The purpose of the report is to present the 2020/21 capital programme and forward commitments, alongside the Capital Strategy for the City Council.

Recommendations

The Resources and Governance Scrutiny Committee is requested to note and comment on the report.

The Executive is requested to:

1. Approve and recommend the report to Council, including the projects for Executive approval in section 7.1, and note that the overall budget figures may change subject to decisions made on other agenda items.

2. Note the capital strategy.

3. Note that the profile of spend is provisional, and a further update will be provided in the outturn report for 2020/21.

4. Delegate authority to the Deputy Chief Executive and City Treasurer in consultation with the Executive Member for Finance and Human Resources to make alterations to the schedules for the capital programme 2020/21 to 2024/25 prior to their submission to Council for approval, subject to no changes being made to the overall estimated total cost of each individual project.

The Council is requested to:

1. Note the budget changes for the 2020/21 capital programme noted in section 7.1.

2. Approve the capital programme as presented in Appendix 3 (for £372.2m in 2020/21, £479.6m in 2021/22, £331.8m in 2022/23, £135.1 in 2023/24 and £36.3m in 2024/25) which will require prudential borrowing of £832.9m to fund non-HRA schemes over the five year period for which provision has been made in the revenue budget for the associated financing costs (within limits previously agreed).

3. Note that the profile of spend is provisional, and a further update will be provided in the outturn report for 2020/21.

4. Delegate authority to:

   a) The Deputy Chief Executive and City Treasurer in consultation with the Executive Member for Finance and Human Resources to approve capital expenditure on schemes which have budget approval.

   b) The Chief Executive and Director of Highways in consultation with the Executive Member for Environment for the approval of the list of schemes to be undertaken under the Highways capital programme.

   c) The Chief Executive and Director of Highways to implement the Highways schemes in accordance with the Capital Approval process and after consultation with the Executive Member for Environment on the final details and estimated costs.

   d) The Deputy Chief Executive and City Treasurer in consultation with the Executive Member for Finance and Human Resources to add qualifying spend to save projects to the capital budget accordingly up to a maximum of £5m in 2021/22 and then £5m per year thereafter.

   e) The Deputy Chief Executive and City Treasurer, in consultation with the Executive Member for Finance and Human Resources to accelerate spend from later years when necessary within the programme subject to resource availability.

   f) The Deputy Chief Executive and City Treasurer in consultation with the Executive Member for Finance and Human Resources to agree and approve where appropriate the programme of schemes for the delivery of the corporate asset management programme.

5. Adopt the application of the Manchester Low Carbon Build Standard for the Council's capital projects approved from 2021 onward.

Wards Affected: Various

Environmental Impact Assessment - the impact of the decisions proposed in this report on achieving the zero-carbon target for the city
Under the governance process for capital expenditure decision making, zero and low carbon measures are a key component. Each project must set achievable carbon reducing targets before being approved. For some projects, the aim of the investment will be to reduce the City's carbon impact, for example the Civic Quarter Heat Network and the Carbon Reduction Programme.

Manchester Strategy outcomes	Summary of the contribution to the strategy
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	The capital programme contributes to various areas of the economy, including investment in public and private sector housing, education and children's social care, transport infrastructure, major regeneration activities, environmental, cultural and leisure services.
A highly skilled city: world class and home grown talent sustaining the city's economic success	The capital programme includes substantial investment in education and also provides opportunities for the construction industry to bid for schemes that could provide employment opportunities at least for the duration of contracts.
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	The capital programme includes investment in adult and children's social care, education, housing and the environment, cultural and leisure services, all of which contribute towards the strategy.
A liveable and low carbon city: a destination of choice to live, visit, work	Investment in all areas of the capital programme contributes towards the strategy, notably investment in sustainable and affordable housing, building schools for the future, transport, environmental and major regeneration programmes.
A connected city: world class infrastructure and connectivity to drive growth	Through investment in areas such as ICT and the City's infrastructure of road networks and other travel routes

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

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

The capital programme report as presented will require £832.9m (all non-HRA) of prudential borrowing over the period 2020/21 to 2024/25, all for Manchester City Council projects. Provision has been made in the proposed revenue budget for the associated financing costs, and for the revenue contributions to capital outlay (RCCO) which are forecast to be received from the General Fund and HRA.

Financial Consequences – Capital

For the City Council programme the latest budget for 2020/21 is £372.2m, of which £231.9m is forecast to be funded from borrowing. Across the forecast period 2021/22 to 2024/25, the budget is £982.8m, of which £601.0m is forecast to be funded from borrowing.

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Attachments

Appendix 1: Capital Approval Process flowchart
Appendix 2: Proposed Amendments to the Capital Budget
Appendix 3: Detailed Capital Programme 2020/21 – 2024/25
Appendix 4: Comparison of Capital Financing Requirement to External Debt and Internal Borrowing

Background documents (available for public inspection):

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

Report to the Executive 12 February 2020 (Capital Strategy and Budget 2019/20 to 2023/24)
Report to Council 6 March 2020 (Capital Strategy and Budget 2019/20 to 2023/24)
Report to the Executive 11 March 2020 (Capital Programme Update)
Report to the Executive 3 June 2020 (Capital Programme Outturn Position 2019/20)
Report to the Executive 3 June 2020 (Capital Programme Update)
Report to the Executive 3 July 2020 (Capital Programme Update)
Report to the Executive 29 July 2020 (Capital Programme Monitoring 2020/21)
Report to the Executive 9 September 2020 (Capital Programme Update)
Report to the Executive 14 October 2020 (Capital Programme Monitoring 2020/21)
Report to the Executive 14 October 2020 (Capital Programme Update)
Report to the Executive 11 November 2020 (Capital Programme Update)
Report to the Executive 20 January 2021 (Capital Programme Update)
Report to the Executive 17 February 2021 (Capital Programme Monitoring 2020/21)

1 Introduction

1.1 As part of the suite of budget reports submitted on this agenda, Executive and Council are recommended to approve the updated Capital Strategy for 2020-25. This report details the latest position on the Strategy, the governance process and progress on delivery.

1.2 The capital strategy provides the medium to long term context in which capital investment decisions are made, governance arrangements and the approach to investments and Treasury Management Strategy, which is elsewhere on the agenda.

1.3 Section 3 of the report sets out the priority areas for future investment, including carbon reduction and housing. Schemes and projects are added to the budget at the point they have been developed and agreed as part of the checkpoint process.

2 The Impact of COVID-19

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

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

3 Strategic Context

3.1 COVID-19 has had a major impact on the global and national economy. The UK's economy is forecast to contract by 11.3% during 2020, the largest fall in output in 300 years. Increased public spending to tackle COVID-19's health and economic impacts and the reduction in receipts have resulted in the Office for Budget Responsibility (OBR) projecting the public sector deficit to peak at £394bn (19% of GDP) in 2020, its highest level since 1944/45.

3.2 As well as the short term increase in public spending on health and the economy , the UK Government has announced a number of new funding programmes to support economic recovery which have been announced during summer 2020 and in the November 2020 Spending Review. Although some funding such as the Levelling Up Fund will be shared across all local authority areas, others will be competitive and it will be important for Manchester to have a well-developed pipeline of projects which can demonstrate existing financial support from the public or private sector.

The Greater Manchester Context

3.3 The ambition is for Greater Manchester (GM) to become a financially self sustaining region at the heart of the Northern Powerhouse. GM have been working hard with Government to turn that vision into a reality. The priorities around growth and reform are distinctive and evidence based, and the City Region is one of the few economic geographies that can be a national engine for growth for the North and the UK as a whole.

3.4 GM have published a one year "Living with Covid Resilience Plan" to act as a bridge with the GM Strategy which is due to be formally refreshed in 2021. The plan sets out the ambition to 'Build Back Better' with actions across a range of areas including the economy and economic stimulus, cycling and walking, integrated public transport, housing and public buildings and digital and health. The GM Infrastructure Programme seeks to influence priorities delivered by others as well as directly funding schemes. These, along with the GM Industrial Strategy, Housing Strategy and the developing Spatial Framework will provide frameworks for future investment decisions.

Our Manchester Strategy for the City

3.5 Manchester continues to be an ambitious city with a strong track record of delivery through partnerships and effective strategic leadership, improving the quality of life for residents and delivering the vision of making Manchester a world class city. In response to the COVID-19 pandemic, the Our Manchester Forum have overseen a reset of the Our Manchester Strategy which will be reported to Executive in February and Full Council in March 2021. The reset is based on the findings of extensive engagement programme which highlighted priorities including: young people; economy; health; housing; environment; and infrastructure; with equality and inclusion as a cross-cutting theme.

3.6 The reset will also restate the existing vision for Manchester to be in the top flight of world class cities by 2025, when the city will:

- have a competitive, dynamic, sustainable and fair economy that draws on our distinctive strengths in science, advance manufacturing, and culture, creative and digital businesses – cultivating and encouraging new ideas
- possess highly skilled, enterprising and industrious people
- be connected, internationally and within the UK
- play its full part in limiting the impacts of climate change
- be a place where residents from all backgrounds feel safe, can aspire, succeed and live well
- be clean, attractive, culturally rich, outward-looking and welcoming

3.7 And to be internationally competitive the Council will need to:

- deliver on meeting the need to reduce dependency and improve the productivity outcomes for residents – creating a more inclusive economy for the city's residents;
- embrace the need to be a zero-carbon exemplar - as part of the city's aims to be zero carbon by 2038 at the latest;

- invest in, and strengthen, the Council's existing economic and infrastructure asset base;
- ensure that there is a diverse housing offer for the city including homes that are affordable to those households on low and average incomes; and
- support the city's cultural and sporting offer.

The Manchester Economic Recovery and Investment Plan

3.8 In direct response to the economic challenges of the COVID-19 pandemic, the Council has worked with key partners in the private and public sectors to develop an ambitious plan for a more inclusive and sustainable recovery. The Manchester Economic Recovery and Investment Plan was officially launched on 25 November 2020 with the full support of local businesses. It includes 50 projects with a total investment value of £800m. The projects include a number thematic areas including skills, zero carbon, digital, culture and transport, but with four key strategic areas of investment which will drive economic growth:

- **Innovation**: Building, in part, on the city's work across its universities, Manchester has the potential to leverage Greater Manchester's science, research, innovation and teaching asset base to create new largescale clusters of high-value economic activities.
- **Manchester City Centre and Urban Realm**: investment in public space and mobility will capitalise on the City's success in this area and make the area yet more attractive to investors.
- **Zero Carbon Housing Retrofit**: The UK Government has already committed to a net zero carbon emissions target by 2050 and through hosting the 26th UN Climate Change Conference of the Parties (COP26), there is a clear focus on zero carbon and climate resilience. This project provides an opportunity to link new investment to local employment and deliver skills initiatives alongside delivering long-term investment in zero carbon.
- **North Manchester**: Two major developments provide the basis for the social and economic transformation of an area. A new North Manchester General Hospital with a health and wellbeing campus and Northern Gateway; a major housing and regeneration initiative.

Other City Council Priorities

3.9 A number of other significant developments will inform the approach to capital investment within the city. These include:

- The Our Manchester Industrial Strategy,
- the Manchester Residential Growth Strategy and Affordable Housing Strategies with the commitment to supporting overall and affordable housing growth
- Maximising new commercial development opportunities,
- Delivering on the outcomes of the reviews of the Highways Estate, the Operational Built Estate and the ICT Estate.

- The Council's declaration of a Climate Emergency in July 2019 and our Climate Change Action Plan with the objective of halving the Council's direct emissions by 2025 and to play our full part in supporting the city to do the same.

4 Development of the Capital Strategy

4.1 The Capital Strategy has been developed to ensure that the Council can take capital expenditure and investment decisions in line with Council priorities and properly take account of stewardship, value for money, prudence, risk, sustainability and affordability.

4.2 Capital investments will be made in line with the Capital Strategy priorities. These decisions are within the economic powers of the Council and have strong governance arrangements that underpin decision making. The Council will not invest in capital schemes purely for yield, although some schemes will be financed all or in part from returns on investment. Usually investment will be within the local authority area although there may be exceptions if it is within the relevant economic area and meeting a key regeneration or zero carbon objective.

4.3 There will also be:

- externally funded programmes such as those for schools or The Factory;
- schemes funded from ring-fenced resources such as those within the Housing Revenue Account (HRA); or
- required investment from Council resources, including capital receipts, to support strategic priorities such as investment in the highways infrastructure, delivery of the ICT Strategy, asset management and the refurbishment of the Town Hall.

4.4 The capital priorities from 2020/21 have been updated in the light of the priorities set out in Section One of the report and are set out below.

- ***Investment that is catalytic*** in supporting economic growth, housing growth, job creation, reducing carbon emissions, transforming health, economic and social outcomes, and creating further investment in the city and supporting economic recovery of the city following the COVID-19 pandemic.

- Supporting the declaration of the Climate Emergency. The Council has a clear target to at least ***halve its carbon output by 2025***. Investment plans must consider the carbon impact alongside financial impact. The costs of new build programmes to higher environmental standards, following the introduction of the Manchester Low Carbon Build Standard endorsed by the Manchester Climate Change Agency, and meeting the needs of the Local Plan and planning requirements (including investment in green spaces and place such as trees and green walls) need to be considered alongside any revenue implications. Procurement practices will ensure carbon is a focal point. The majority of the Council's carbon emissions are from the existing corporate estate and housing stock and significant investment will be required to bring this up to carbon efficient standards. This represents a major opportunity to both establish Manchester as a centre for green technology and services, and to work with local skills providers.

- ***Deliver new affordable housing*** to meet the increased delivery target from 5,000 Affordable Homes to a minimum of 6,400 Affordable Homes between April 2015 and March 2025.

- Developing a more ***inclusive economy*** as set out within the Our Manchester Industrial Strategy and reiterated in the Economic Recovery and Investment Plan. This will require investment on an invest to save basis in existing Council assets and strategic investment to unlock wider commercial and residential developments. There is an opportunity for new developments in the city such as the Northern and Eastern Gateways to become inclusive and zero carbon exemplars, but they need to be adequately resourced to realise the full social, economic and environmental benefits. The use of progressive procurement policies and social value will ensure the maximum benefit to residents from these new developments.

- Regeneration in ***North Manchester.*** This includes the North Manchester General Hospital redevelopment, anchoring a health and wellbeing campus as proposed in the Economic Recovery and Investment Plan. This, alongside the Northern Gateway should create the potential to support a growing city, create new housing and regenerate the area.

- Investment in the ***city centre*** as a key driver of growth and jobs for the city and one of the four strategic areas of interventions within the Economic Recovery Plan. Whilst a significant amount of investment will be from the private sector, public sector investment is needed in core areas such as public realm, in order to stimulate further private investment and growth in those areas.

- Investment in ***cultural and creative industries*** which make a major contribution to Manchester's international reputation and role as a destination for cultural tourism and are a growing element of the city economy. Given the importance of these industries and the particular challenge that people working in them have faced due to the pandemic, both short- and longer-term support is needed.

- ***Market intervention*** where the existing market outputs do not support the Council's wider aims. This is likely to be focussed on areas such as health and social care such as residential and intermediate care and will require significant partnership support. This may be short term in nature, to support the development of sustainable business plans, or of a longer nature to support market change.

- Ensuring the Council's ***corporate estate is fit for purpose***. This includes investment to reduce the Council's carbon output and in relation to the current condition of the estate. This is particularly important for the leisure estate where the assets developed for the Commonwealth Games are now nearly 20 years old, and also in the social care estate where the budget challenges faced by providers has led to a lower level of investment on maintenance than expected.

- ***Investment in digital infrastructure, data management, and the application of new approaches.*** These are now key elements of the Manchester economy and reflected in the new draft Manchester Digital Strategy – "Creating an Inclusive, Sustainable & Resilient Smart City". The provision of digital infrastructure and the application of digital technology is needed to capitalize on private sector investment and compete economically on the national and international stage. It can also drive greater inclusion for residents and workers and projects have the potential to find technological solutions to health, mobility and environmental challenges by utilising the power of connected devices.

- Continued Investment in ICT infrastructure as part of being a ***well-managed Council***. Increased digitisation, and the need to move from legacy ICT platforms will mean investment is required, alongside work on ICT resilience, network capability, and key operating systems.

4.5 Taking the above into account the Council will need to maximise its investment capacity and will focus on the following areas:

- to support employment growth through a strengthening and diversification of the economic base and efficient use of land;
- investment in new and upgraded transport infrastructure including delivering the Highways Investment Programme;
- to provide an expanded, diverse and affordable housing offer, creating the conditions to increase the supply of affordable and social housing, and that all new homes in the city are supported by good local public services and an accessible public transport infrastructure;
- to support new and expanded high quality primary and secondary school facilities for a growing population;
- to ensure that there is a sufficiency of facilities in the city to support the demands within our adults and social care system;
- securing investment for an internationally competitive cultural and sporting offer and sustaining core assets such as parks, leisure facilities and libraries for Manchester residents;
- to support businesses and residents to create thriving district centres with appropriate retail, amenities and public service offer; and
- to promote the role and continuing growth of the City Centre as a major regional, national and international economic driver.

4.6 Underscoring all of the above will be the need to pursue interventions that both encourage and deliver the city's zero carbon goals.

4.7 The above priorities will be considered against the criteria for the Government's Levelling Up Fund and the UK Shared Prosperity Fund, once available. The Levelling Up Fund of £4bn for England will invest in local infrastructure that has a visible impact on people and their communities and is aimed at supporting economic recovery, and further details on the Fund are expected in early 2021. The UK Shared Prosperity Fund is expected to be on average £1.5bn a year across the UK, to match the receipts from EU structural funds which have previously been received. A pilot programme ahead of its introduction is expected to be announced in 2021/22.

4.8 The Council will seek to maximise the use of all other available funding sources, including Green Homes grant, the Getting Building Fund and the Public Sector Decarbonisation scheme. Similarly, access to EU programmes which can continue to be used following the ending of the transition period, such as Horizon Europe which is the EU's research and innovation programme, could play a significant role in supporting the Recovery Plan.

4.9 This report includes identified pipeline projects which have been identified to support the delivery of the Council's objectives and may require capital investment. These projects do not form part of the approved capital programme but will be added as they are developed and approved. Likewise a number of programmes, such as highways and schools maintenance, are funded via government grant and these will be brought into the programme when the funding is confirmed.

5 Carbon Reduction

5.1 The City Council has declared a climate emergency and set an aim to become carbon neutral by 2038, requiring the Council to reduce its direct carbon dioxide emissions by at least 50% by 2025. This will require reducing carbon to be embedded across all planning and investment. Changes in how buildings are operated alongside behavioural changes such as recycling will be important, but will need to be supported by capital investment aimed at reducing carbon.

5.2 The existing approved capital programme contains significant investment in carbon reducing measures, for example:

- the Street Lighting replacement programme is replacing the lights with LED lights with lower emissions;
- the Civic Quarter Heat Network is currently being built, which will allow Council buildings to be powered through cleaner energy;
- the purchase of electric refuse collection vehicles; and
- the Carbon Reduction Programme with building-specific projects across the Council's estate to reduce the carbon output.

5.3 There will also be specific investment required with the forecast additional projects identified in this report including:

- moving to a sustainable transport system across the City, including investment in cycle lanes and electric charging points;
- investment in the Corporate Estate to improve energy efficiency given the estate accounts for roughly 70% of the Council's carbon emissions;
- retrofit works to the Council's housing stock to move towards it being carbon neutral; and
- further investment in green energy solutions.

5.4 In recognising the importance of capital investment to achieving the carbon neutral date of 2038, it is also important to recognise the financial challenge that this creates. This means that capital investment aimed at reducing carbon must focus on projects which will make the biggest difference.

The Manchester Build Standard

5.5 To mitigate the impact of capital projects on the environment. it is proposed that all Manchester City Council projects should use as a basis for their specification a Low Carbon Build Standard to mitigate the impact on the environment. The Manchester Low Carbon Build Standard, created by the Council's Capital Programmes team, provides a stepping-stone which will enable the Council to move towards the 2023 target date for all new developments being zero carbon and climate resilient. The Standard sets minimum expectations which should be followed by all MCC schemes, with zero carbon exemplar schemes actively encouraged.

5.6 The Standard achieved the endorsement of the Manchester Climate Change Agency in December 2020 and is being applied across the Council's capital programme. It has been supported by several external partners including the North West Construction Hub Board and the National Association of Construction Frameworks (NACF). The Standard will be reviewed and updated accordingly by June 2021 and six-monthly thereafter.

5.7 It is requested that the Council approves the adoption of the Manchester Low Carbon Build Standard for the Council's capital projects.

6 Governance and Asset Management Planning

6.1 Capital expenditure is spent on the purchase or improvement of assets that have a long-term value to the Council, such as land and buildings. The Council and its residents receive a benefit from the capital expenditure invested in the assets for a long period of time (i.e. more than a year). It is the Council's policy to capitalise any expenditure, over a total value of £10,000 which fulfils these criteria.

6.2 The potential capitalisation flexibilities, such as the use of capital receipts to support revenue expenditure for service transformation have not been utilised. This will be reviewed during 2021/22, in the light of the significant change the Council will have to deliver and the continued revenue budget challenges.

6.3 The capital expenditure and investment decision making process has five distinct stages to cover project initiation, project design and costs, democratic process, capital expenditure approval and monitoring/review. The process is shown at Appendix 1. For any project seeking capital expenditure approval a business case must be drafted, covering:

- ***Strategic Fit:*** how the project links to the City Council's strategic priorities, social value, and any statutory requirements.
- ***Economic Value:*** what economic value the project will provide to the City, including social value.
- ***Financial Implications:*** funding model, with evidence of cost and capital and revenue implications
- ***Risk and Deliverability:*** timescale for delivery and identification of risks to the project, including legal issues.
- ***Outcomes to be delivered:*** what the project will achieve, and the benefits that will be realised. This includes social value, and impact on the low carbon strategy.

6.4 The business cases must be agreed by the relevant directorate board and supported by the relevant Executive member prior to submission to the Strategic Capital Board chaired by the Deputy Chief Executive and City Treasurer. The Board will then make recommendations to members.

6.5 The governance process for approving capital investments is the same. Any investment proposal is peer reviewed and within the Council there are commercial and public sector professionals who will assess any proposals including for internal and external risks and to establish investment structures to mitigate any identified risks. Where required external advice is commissioned to perform due diligence or to support the creation of the business case. External advisors are also used for material projects that have a level of risk associated with them.

6.6 The capital programme is managed on a rolling basis and updated as new schemes are developed or there are material changes to existing schemes. The Strategic Capital Board receives monthly updates from each directorate board detailing financial forecasts, risks, and expected outcomes. The Executive receives monthly reports to approve any changes and a quarterly monitoring report.

6.7 The approved capital programme includes several asset management programmes for the operational estate, housing, highways and schools. The Executive Member Estates Board is responsible for the strategic direction and decision making for the operational estate, including estate asset management and estates transformation. These decisions support the activity contained within the Asset Management Programme which forms part of the capital budget. The Council also holds assets for expected future regeneration projects. Work is undertaken to ensure that these assets are maintained. The asset such as land, could also gain or lose value in the intervening period, but the overarching aim is to release the value in the asset, which will be wider than purely financial considerations, once the regeneration has been completed.

6.8 There remains a strong focus on achieving value for money. The Capital Programmes function was peer reviewed in 2018 by the Local Government Association. A further assurance review is planned for 2021/22 to ensure that practices remain robust and deliver best value.

6.9 The format of the monitoring was updated in 2019/20 to enable the Executive to monitor spend against the life of the project. It will be further reviewed in advance of the 2021/22 to ensure it is easy to use and is less cumbersome to produce.

7 Changes to the Capital Programme

7.1 There are a number of schemes which have been developed and are ready for inclusion in the capital programme which are summarised below. A summary of the schemes, funding and profile of spend can be found at appendix 2.

For Executive approval:

- Highways: City Centre (Triangle) and Wythenshawe Active Travel Fund Schemes. Transport for Greater Manchester (TfGM) has confirmed Manchester Highways has been successful in its bid for Active Travel Fund (ATF) Tranche 2 funding. The City Centre (Triangle) and Wythenshawe Cycleway schemes were first and second ranked as part of TfGM's project prioritisation exercise and awarded £4m and £1.5m of ATF funding respectively. Both will seek to introduce permanent infrastructure to increase sustainable travel by encouraging more residents to walk and cycle. The City Centre (Triangle) scheme includes routes and infrastructure to support active travel between travel hubs within the city centre including Deansgate station, Piccadilly station and Victoria station. This will link the Triangle project to the Northern Quarter Mayors Challenge Fund (MCF) projects, Deansgate and Whitworth Streets for All projects and provide a continuous route through the city linked to other key walking and cycling schemes to maximise investment. The Wythenshawe Cycle Scheme will improve cycling links between Wythenshawe town centre and within Manchester City Centre. The deadline for scheme delivery set by the Department for Transport is currently March 2022. A capital budget increase of £5.5m in 2021//22 is requested, funded by External Contribution.

- Growth: Public Sector Decarbonisation Scheme. In July 2020 the Chancellor announced £1bn of grant funding would be made available as part of a range of measures to support economic recovery in response to COVID-19 for investment in decarbonisation of public estates. The Public Sector Decarbonisation Scheme (PSDS) is focused on energy efficiency in public buildings and in particular measures which decarbonise heat. The Council bid totalled £23m, with a projected carbon saving of 2,303 tCO2e per annum. The bid was developed with energy services partner Ameresco and covers 13 buildings with a range of proposed carbon reduction technologies, including Solar PV, Heat Pumps and Battery Storage. A capital budget increase of £0.041m in 2020/21 and £22.943m in 2021/22 is requested, funded by Government Grant, alongside a capital budget increase of £0.070m in 2020/21 is requested, funded by RCCO.

- Private Sector Housing: Social Housing Decarbonisation Fund. The Council has successfully bid for funding from the Department of Business, Energy and Industrial Strategy (BEIS) for low carbon retrofit works to social housing, which One Manchester will match-fund and decarbonise 150 housing on the Grey Mare Lane estate in Beswick. A capital budget increase of £0.075m in 2020/21 and £3.045m in 2021/22 is requested, funded by Government Grant.

- Additional Disabled Facilities Grant (DFG). The Council has been awarded additional DFG by MHCLG. There are no timescales for spending the grant, other than MHCLG requests it be spent at the earliest opportunity, recognising the challenge that COVID-19 has created for adaptation programmes. A capital budget increase of £1.007m in 2021/22 is requested, funded by Government Grant.

8 Proposed Capital Programme from 2021/22

8.1 The capital programme 2021/22 to 2024/25 includes the continuation of the existing programme and approved schemes. The pipeline priorities and externally funded programmes and schemes will be added as they are developed and approved. The programme is based on that forecast as at the end of December 2020, which is reported elsewhere on the agenda. Details of the potential pipeline schemes are also contained below

8.2 The budget for 2020/21 is £372.2m. The profile of capital expenditure will be updated as projects develop through the design stage or if the resource position changes. This is reported through to Executive in the regular Capital Update and Monitoring reports.

8.3 Current inflation forecasts remain varied, reflecting the complex market situation that exists due to COVID-19 and other factors. Some forecasts suggest nationally inflation could be negative in the near term before increasing significantly, others see a more gradual rise. Estimates for 2021 the North West are between 0.5% and 3.5%, and it is important to note that the inflationary pressures faced by any project may vary due to size, value or procurement route. Given these pressures, there remains £17.3m of the inflation budget established last year to be used to support projects where inflation cannot be contained within the existing budget.

8.4 The proposed programme is summarised in the table below:

	2020/21 budget £m	2021/22 budget £m	2022/23 budget £m	2023/24 budget £m	2024/25 budget £m	Total £m	*Total 21/22-24/25 £m*
Manchester City Council Programme							
Highways	53.0	63.6	2.7	2.2	0.0	**121.5**	***68.5***
Neighbourhoods	10.4	30.0	29.9	13.4	0.0	**83.7**	***73.3***
Growth	87.6	152.1	80.9	33.1	0.0	**353.7**	***266.1***
Town Hall Refurbishment	34.6	63.6	88.2	57.5	36.2	**280.1**	***245.5***
Housing – General Fund	13.9	18.8	11.2	12.7	0.1	**56.7**	***42.8***
Housing – HRA	16.1	40.2	45.5	3.2	0.0	**105.0**	***88.9***
Children's Services (Schools)	37.2	39.0	44.9	0.0	0.0	**121.1**	***83.9***
ICT	3.8	8.8	12.9	7.7	0.0	**33.2**	***29.4***
Adults, Children's and Corporate Services	115.6	63.5	15.6	5.3	0.0	**200.0**	***84.4***
Total Programme	**372.2**	**479.6**	**331.8**	**135.1**	**36.3**	**1,355.0**	***982.8***

8.5 Please note that these figures shown here do not include the proposed additional investment for Collyhurst, which is subject to a separate report to Executive. Should this be approved, the budgets and associated funding will be higher.

8.6 The programme budget for 2021/22 should be considered provisional, and it is fully expected that it is likely to be developed over a longer period of time as work develops, designs are finalised and work programmes agreed.

8.7 Further details of the major schemes included are set out in this report and a full list of the projects and the budget split by financial year is shown at appendix 3. The programme will be updated at the May meeting of the Executive to reflect the final outturn position for 2020/21 and will change as new projects are approved.

9 Highways

9.1 The Highways capital programme consists of the investment in the City's highways network, including work on bridges, cycle paths and bus priority lanes. The programme is forecast to be £68.5m between 2021/22 and 2024/25 and the primary schemes within the programme are detailed below.

9.2 The Highways Maintenance Investment Programme (£28.7m) will continue. The programme will seek to implement longer term preventative maintenance measures, which would result in the Council's highways assets being improved and reducing maintenance costs. This includes works to drainage systems, large patching works, carriageway works and repairs to footpaths.

9.3 The Bridge Maintenance project (£6.7m) will continue to ensure that the Council's bridge assets across the highways network are maintained according to statutory guidelines.

9.4 The Chorlton Walking and Cycling Scheme (£9.5m) is well underway and will create a 5 km route from Chorlton Park to Manchester, linking with existing routes and continuing into the city centre. The Norther Quarter Scheme (£9.6m) has also started and will create an east/west walking and cycle route between Piccadilly Station and Victoria Station via the Northern Quarter, and seeks to make the streets safer, greener and better for everyone, and especially for those on foot or bicycle. Other externally funded walking and cycling schemes include Beswick Active Neighbourhood, Fallowfield Loop, Rochdale canal, Northern Gateway route and the Levenshulme Active Neighbourhood improvements and all those schemes have either started already or will start in 2021.

9.5 The Public Realm programme (£0.9m) will support the maintenance and development of the Council's public realm assets.

9.6 The Street Lighting Private Finance Initiative (PFI) project (£0.8m) will deliver the procurement and installation of modern, state of the art, low energy light emitting diode (LED) street lighting technology. The scheme will provide revenue savings due to reduced energy charges, and lower maintenance costs for the Council's street lighting.

9.7 The significant capital investment programme will improve road safety as wherever possible the changes to the highway are made to support it, for example the Great Ancoats Street where accident prevention is a key aim of the project. Similarly, the programme of cycling and walking improvements funded through the GM Mayor's Challenge Fund will see significant road safety benefits from better road crossings, segregated cycle lanes and additional pedestrian facilities.

Potential Future Investment

- A significant proportion of the Highways Capital programme is funded from government grant and will be confirmed once the funding has been allocated.

- Alongside the recent public consultation of the draft City Centre transport strategy, investment is proposed on key transport corridors across the City Centre using the existing budget for other highways improvements.

- A review of the current Highways Investment Plan, due to be substantially spent by the end of 2021/22, is underway. The outcomes will be used to support the business case for further investment to continue to improve the highways network and footways which may be required to compliment government grant funding.

- The closure of Deansgate will be progressed, beginning with consultation and the implementation of an experimental traffic order so the proposals can be fine-tuned.

- Investment which prioritises improvements to the network to support active travel and reallocate road space to walking and cycling will continue to be pursued, with the development of a number of schemes approved through the GM Mayor's Challenge Fund. These works supplement other proposals which promote sustainable forms of transport across the city.

- Further investment is planned in road safety and security measures.

- Investment to support the establishment and delivery of several major projects where highways infrastructure will play a key role. Currently proposals include consideration of HS2, Etihad Campus, Northern Gateway and the Airport and the Bee Network along with localised pinch points and corridors.

10 Neighbourhoods

10.1 The Neighbourhoods capital programme includes the investment required to support the City's neighbourhoods and well-being, such as libraries and leisure centres. The programme is forecast to be £73.3m between 2021/22 and 2024/25, as shown in the table below, and the primary schemes within the programme are also detailed below:

	2020/21 budget £m	**2021/22 budget** £m	**2022/23 budget** £m	**2023/24 budget** £m	**2024/25 budget** £m	**Total £m**
Environment and Operations	6.7	6.4	0.4	0.0	0.0	**13.5**
Leisure	3.4	22.5	29.5	13.4	0.0	**68.8**
Libraries	0.3	1.1	0.0	0.0	0.0	**1.4**
Total Neighbourhoods	**10.4**	**30.0**	**29.9**	**13.4**	**0.0**	**83.7**

Environment and Operations

10.2 As part of the waste and street cleaning contract, a loan will continue to be available to the contractor to upgrade vehicles (£0.9m), including to make them clean air compliant, on a spend to save basis. The loan will be repaid through reduced service costs. The purchase of electric refuse collection vehicles (£4.1m) will continue, replacing the standard diesel vehicles and making significant reductions in carbon emissions.

Leisure

10.3 The Parks Investment Programme (£11.4m) will focus on improvements to the quality of the community and local parks, green spaces and allotments across Manchester.

10.4 Investment will continue at Abraham Moss leisure centre (£22.6m). These works will reduce revenue costs associated with the upkeep of the building and provide long-term savings to the Council.

10.5 The refurbishment of the Manchester Aquatic Centre (£29.7m) will return the building to a compliant venue for all current uses, to modern standards, and will incorporate carbon reducing technologies.

Potential Future Investment

- The Economic Recovery and Investment Plan highlights the importance of culture to Manchester. Potential investment to ensure that there is space available for cultural and creative industries, alongside supporting existing cultural infrastructure is being reviewed, with an intention to leverage external funding where available.

- The development of New Smithfield Market with work continuing to understand the scope of such works and the implications for the Council.

- The continued development of the leisure estate, with the introduction of new leisure assets as well as large scale improvements to existing facilities which will also contribute to the low carbon aims of the Council. The funding will be mixed with the joint management of Waterfall funding with Sport England, the ability to access other national funds and some use of City Council resources. This is expected to include the National Cycling Centre refurbishment, Manchester Aquatics Centre refurbishment, and the Hub at Hough End.

- Further investment in the library estate, including the refresh of neighbourhood libraries and the self-service system, to ensure that communities can continue to have wide access to library services

- Parks investment linked to the approval of the Parks Development Plan. Funding is already held against this programme and details of individual schemes will be brought forward.

- Redevelopment of the North Manchester General site will form part of the regeneration of North Manchester, linking with the planned Northern Gateway investment as well as the provision of the new hospital and associated health facilities. Initially this may be focussed around Crumpsall Park. Such investment will be a priority for the Council against any source of regeneration finance that the Government may bring forward.

11 Growth

11.1 Growth includes the programme for the Council's property assets, and investment in neighbourhood development and cultural facilities. The programme is forecast to be £266.1m between 2021/22 and 2024/25, as shown in the table below, and the primary schemes within the programme are also detailed below:

	2020/21 budget £m	**2021/22 budget** £m	**2022/23 budget** £m	**2023/24 budget** £m	**2024/25 budget** £m	**Total £m**
Culture	36.5	56.0	31.9	0.0	0.0	**124.4**
Corporate Property	19.1	52.3	13.8	10.0	0.0	**95.2**
Development	32.0	43.8	35.2	23.1	0.0	**134.1**
Total Growth	**87.6**	**152.1**	**80.9**	**33.1**	**0.0**	**353.7**

Culture

11.2 The continuing Factory project (£84.1m) will create a cultural facility within the St John's area of the City Centre.

Corporate Property

11.3 The Asset Management Programme (£12.6m) will ensure that the Council's assets, including its elite sporting assets, are well-maintained.

11.4 In addition to this programme the Hammerstone Road Depot project (£18.1m) will continue. This investment will allow other sites to be released and reduce the maintenance costs associated with these sites.

11.5 The continuing Carbon Reduction Programme (£20.2m) will be used to develop schemes to reduce carbon emissions including the use of combined heat and power plant, solar photovoltaic panels, and the use of LED lighting within the Council's estate.

Development

11.6 The Strategic Acquisitions budget (£1.3m) will provide funding for the Council to acquire key sites throughout the city, provided they become available, which can further the aims and objectives of the corporate plan particularly with regard to housing and regeneration.

11.7 The Sustaining Key Initiatives (£11.5m) investment provides the Council with the capacity to intervene to ensure key commercial, operational and mixed use development priorities are secured in the city. It is expected that any intervention would be done primarily on an investment basis.

11.8 The Northern Gateway investment plan (£16.6m) will lead to significant residential growth in the neighbourhoods of New Cross, Lower Irk Valley and Collyhurst through land assembly and the provision of core infrastructure, with the regeneration completed with Far Eastern Consortium who are the Council's joint venture partner. Alongside this, works will progress on the grant-funded Housing Infrastructure Fund (£50.8m) which will support land remediation, investment in utility networks, flood risk issues, and create new roads, footpaths and cycleways to prepare the Norther Gateway area for development.

11.9 Works will continue on the refurbishment of the existing National Squash Centre to create the House of Sport (£7.3m).

11.10 Public realm investment will continue throughout the city centre, with schemes at the Medieval Quarter (£1.9m), providing public realm improvements in the north of the city centre around the River Irwell, Manchester Cathedral, Cheetham's and Victoria Station, including the Glade of Light memorial; Lincoln Square (£1.2m) supporting the wider redevelopment of the area and providing a more distinctive identity for the square; and Piccadilly Gardens (£1.6m).

11.11 The Civic Quarter Heat Network (£4.7m) project aims to provide a heat network throughout the Council owned property estate in and around the Town Hall complex and to developments owned by the private sector in the vicinity of the Town Hall. This will reduce energy costs, and also help achieve the City's aim of reducing carbon emissions.

Potential Future Investment

11.12 The programme includes the Asset Management Programme (AMP) which is kept under review to ensure it is a comprehensive programme for all Council assets. This may include bringing in assets such as City Council owned schools and the maintenance of previous Sure Start centres and care homes, with the existing leasing arrangements with reviewed to ensure the ongoing operation of the sites.

11.13 Investment to reduce the Council's carbon footprint and bring the estate up to a minimum energy performance certificate (EPC) rating of C, based on a strategy of Reduce, Produce and Connect. This will reduce demand for energy, through design measures e.g. LED lighting, produce low carbon energy through solar panels and ground source heat pumps, and connect schemes together by gathering and sharing data to examine how energy demand can be further reduced. Works will be aligned to the AMP repairs schedule where possible, alongside existing programmes such as the Carbon Reduction Programme and Civic Quarter Heat Network. Investment opportunities into sustainable energy supplies for the City are being actively explored in line with the Council's Climate Change Action Plan.

11.14 The Growth pipeline is wide and varied and consideration of appropriate investment strategies will be key. This may include using Council-owned land to leverage investment from partners, rather than solely seeking a capital receipt. There may also be investments where the capital financing costs are covered by an income stream from a third party. These should not have a negative impact on the Council's capital financing capacity but will increase the Council's level of debt until they are fully repaid. Proposals include:

- Investment opportunities in key strategic areas including the Etihad Campus, the Northern Gateway, Eastern Gateway, and other areas for development such as Wythenshawe Town Centre and Moston Lane.

- Investment in public realm, particularly in the city centre, to drive economic growth and attracting new investment, will focus on the pipeline highlighted in the Economic Recovery Plan, including Mayfield, Piccadilly Gardens and active travel hubs.

- Following completion of the public consultation on the draft development framework for the former Central Retail Park, proposals for this site are expected to be progressed.

- Following the report to Executive in November, proposals to develop a mobility hub in Ancoats will be brought forward to support promoting modal shift towards cycling, public transport and electric vehicles.

- The Economic Recovery Plan sets out projects which create new enterprise, craft and production space which can accommodate small enterprises and safeguard jobs in the cultural and creative industries.

- In line with the emerging Manchester Digital Strategy, the Digital Cooperative Project will enhance and future-proof digital networks across the city, and provide support for existing and new businesses, as well as advanced digital skills training for local people. Alongside this, the proposed Civic Innovation Programme will provide a route to identify solutions to key social challenges.

- Opportunities to support the development of strategic assets through direct purchases or loans to partner organisations and third parties are being explored. This will be particularly important for specific sites where the Council's involvement could help progress and accelerate wider investment progress.

12 Town Hall Refurbishment

12.1 The Town Hall and Albert Square Refurbishment programme is for the full refurbishment and upgrade to modern standards of the Town Hall and the associated costs for Albert Square. The programme is currently forecast to be £245.5m between 2021/22 and 2024/25 with planned spend currently £34.6m in 2020/21.

13 Housing – General Fund

13.1 The Housing – General Fund capital programme includes housing regeneration schemes, such as the Council's housing Private Finance Initiative (PFI) schemes. It also includes funding for disabled facilities and energy efficiency schemes. The programme is forecast to be £42.8m between

2021/22 and 2024/25 and the primary schemes within the programme are detailed below.

13.2 Funding remains set aside within the programme for commercial and residential acquisitions (£6.7m) which will support the existing Brunswick and Collyhurst schemes.

13.3 Major adaptations funding is expected to be available (£10.2m) for major disability adaptations to private owner-occupiers, non-City Council owned social housing, and the tenants of privately rented properties, where eligible. Funding is through government grant and agreed voluntary contribution from social landlords.

13.4 Further investment plans include support for the development of Extra Care accommodation within Manchester (£2.4m).

13.5 Funding remains available, through the government's Marginal Viability Fund, to support the delivery of new homes on the New Victoria (£4.5m) site by addressing infrastructure works.

Potential Future Investment

- The priority is to deliver safe, secure and affordable housing to achieve the minimum of 6,400 Affordable Homes by March 2025. There is limited capacity from within the Housing Revenue Account and Housing Affordability Fund. The development of the Local Housing Delivery Vehicle with a view to creating multiple phases of delivery and relationships with Registered Housing Providers will be key, along with the commitment to leveraging the Council's land and property assets.

- The Council will play a key role in bringing forward investment across the City, but particularly in the Eastern and Northern Gateways. The roles of developers and the Council will need to be considered on a case by case basis for each development.

- Work will continue with colleagues in Greater Manchester to identify and access funding for energy conservation measures in private households.

- Work is continuing to develop proposals for the development of supported and semi-supported housing options to address the needs of residents who require independent living with support, including homeless people and young people at risk of homelessness. The establishment of a Council-owned temporary accommodation unit for homeless families continues to be worked on. This would also reduce revenue spend on bed-and-breakfast and hotel accommodation.

14 Housing – Housing Revenue Account (HRA)

14.1 The Housing – HRA capital programme consists of the investment in the Council's public sector housing estate, including acquisitions and capital works on existing Council housing assets. The programme is forecast to be £88.9m between 2021/22 and 2024/25 and the primary schemes within the programme are detailed below. The long term HRA business plan contains assumptions around future capital spend, and such projects will form part of the Council's capital programme once approved.

14.2 Provision is also made in the budget to reflect the delivery of new works in future years that will support the ongoing 30-year HRA asset management plan (£47.5m). The funds will be used to maintain the Decent Homes Standard within Manchester's housing stock and, in addition, will support innovative climate change investment; essential health and safety works including the installation of sprinklers in multi storey blocks; public realm environmental works; and, where appropriate, it will support estate regeneration and re-modelling.

14.3 The Silk Street project (£12.1m) will continue, building high quality affordable homes on a site in Newton Heath.

14.4 The programme includes funding for the ongoing regeneration works in Collyhurst (£18.2m), including proposals for new social housing new builds and land assembly linked to the Northern Gateway. There are capital investment proposals for Collyhurst elsewhere on the agenda.

Potential Future Investment

- With the decision to bring the ALMO back under Council control in July 2021, the Northwards capital programme will be reviewed to ensure there is the right prioritisation and pace for works to deliver fire safety and decent homes standards.

- The Council will consider options for retrofit works to make its existing housing zero-carbon. The potential initial investment sought, noted in the Economic Recovery and Investment Plan, is for the Manchester Housing Provider Partnership to establish a collaborative approach to procurement and delivery, with a view to retrofitting 3,500 properties a year including the Council's housing. This would also contribute to addressing fuel poverty.

- There will be a continued focus on increasing the level of affordable housing, either through models of direct delivery or through working with registered providers and other partners. The role of the HRA in providing new affordable housing will continue to be reviewed. This will include the development of housing at Silk Street, Newton Heath.

15 Children's Services (Schools)

15.1 The Children's Services capital programme is predominantly focused on the building of new schools, to meet school place demand, and investment in the existing school estate. The programme is forecast to be £83.9m between 2021/22 and 2024/25 and the primary schemes within the programme are detailed below.

15.2 The programme to increase the Special Educational Needs capacity (£8.1m) across the city will continue, with works to be undertaken at Roundwood, North Hulme, and Moston.

15.3 Work will continue on the design of the Co-op Academy in Belle Vue alongside the provision of places at Connell College (£4.3m) to accommodate the early opening of the Belle Vue school. As noted below, once design work is complete approval for the full scheme will be sought.

15.4 The Council will receive no Basic Need grant in 2021/22. The existing unallocated grant is c. £62.3m, which is expected to be required for the creation of secondary school places.

15.5 A Government grant-funded schools maintenance programme (£5.0m), to help maintain the Council's school assets, is included within the budget. Officers expect this funding stream to continue, however the annual budgets will be revised once confirmation of the level of funding is received.

Potential Future Investment

- The statutory requirement to provide sufficient school places across primary, secondary and specialist education continues to be monitored along with approvals as part of the Government's Free School programme to ensure there are sufficient places to meet demand. Once the design has been completed, proposals will be brought forward for a new secondary school at Hyde Rd.

- School maintenance projects will continue and be scaled in accordance with the level of government grant received, taking into account the condition of school buildings and prioritising accordingly.

16 Information and Communication Technology (ICT)

16.1 The ICT capital programme provides investment to the Council's ICT estate. The programme is forecast to be £29.4m between 2021/22 and 2024/25 and the primary schemes within the programme are detailed below.

16.2 The Network Refresh Programme (£9.0m) will progress, updating the Council's wider area network, local area network and wi-fi. This will also require works to the hardware used by the Council for communications.

16.3 With the changes to the way in which a significant element of the Council's workforce has been operating throughout the pandemic, the End User Experience project (£4.2m) will be important in updating the technology available to staff to allow them to undertake their roles more effectively.

16.4 The remaining ICT Investment Plan funding (£15.8m) is currently unallocated, to allow projects such as those noted as potential future investment priorities below to continue to be developed. Once projects are approved, they will be funded from this budget allocation.

16.5 It is expected that some of this budget may need to be transferred to revenue, depending on the type of work required, and this decision can only be made when the appropriate ICT solution has been identified. Such transfers will be proposed on a case by case basis and reported to members through the regular capital update reports.

Potential Future Investment

- Future investment will focus on improvements to the Council's core systems and infrastructure, and in supporting services across the Council in developing ICT solutions to their needs. Proposals will be brought forward to continue the network refresh, to review and improve the way in which residents and businesses can access Council services with the replacement of the CRM system, and to replace the Council's ERP SAP system which includes payroll, HR, the finance ledger and procurement. The replacement of these legacy systems is critical to modernising and automating business processes and maximising the use of data and reporting.

17 Adults, Children's and Corporate Services

17.1 The Adults, Children's and Corporate Services capital programme provides investment for the health and social care work of the City Council, and strategic investments. The programme is forecast to be £84.4m between 2021/22 and 2024/25 and the primary schemes within the programme are detailed below.

17.2 To provide integrated health and community services it is proposed to invest in a new facility at the Gorton District Centre (£19.8m). This is on an invest to save basis with the income from the leases to partners providing the funding to repay the build costs.

17.3 Financial support for the development of the project with Health Innovation Manchester (£10.1m), to conduct research on life science sub-sectors of health and medical technologies, will continue.

17.4 The approved loan support to Manchester Airport (£36.2m) will continue to be available.

17.5 As noted above at paragraph 8.3, there continues to be a budget allocation for inflation (£17.3m) to support projects where inflationary pressures cannot be contained within existing budgets.

Potential Future Investment

- There is a potential need for Adult Social Care to intervene in the social care market to shape the market to meet health and social care needs including new build facilities, or the acquisition of existing buildings which can be tailored to care models. There are no specific schemes in the pipeline, and these would be developed with health service partners. There may also be a need to address areas of market failure to ensure continuity of service. The intervention may be short-term but could be vital in limiting the impact on residents. By its nature this may need to be actioned quickly and appropriate budgets and approval routes are being considered.

- The Corporate Core needs to retain the ability to provide market intervention or provide loans to third parties as part of a wider investment strategy to deliver the strategic aims for the city. These would be bought forward with a clear business case and due diligence process. Investment options for carbon efficient energy sources are also being actively explored and are likely to be brought forward in the last quarter of 2020/21.

18 Capital Financing

18.1 The Council has several funding streams available to fund capital expenditure. Alongside external grants and contributions revenue funding, capital receipts and prudential borrowing cab also be used. Capital receipts are generated through the sale of assets. These receipts are ring-fenced, under legislation, to fund capital expenditure and cannot be used to fund the revenue budget.

18.2 There are restrictions around the use of certain capital funds, some statutory and some at the Council's discretion.

18.3 The Housing Revenue Account (HRA) is a restricted fund and can only be used to fund capital expenditure on HRA assets.

18.4 The Council also operates the following fund restrictions:

- Housing capital receipts (both Housing General Fund and Housing Revenue Account) are reserved for use on new Housing projects;
- General Fund capital receipts will be used in the first instance to support the Asset Management Programme.
- Grants received will be used for the specific purpose intended even if the terms of such grants are not restrictive, unless alternative use promotes the same aims.

Prudential Borrowing

18.5 The use of prudential borrowing allows the Council to spread the cost of funding the asset over its useful economic life. Using prudential borrowing as a funding source increases the Council's capital financing requirement (CFR), and will create revenue costs through interest costs and minimum revenue provision (MRP).

18.6 Where expenditure is funded through borrowing there is a requirement to make a minimum revenue provision towards the repayment of the debt. This ensures that the revenue cost of repaying the debt is spread over the life of the asset, similar to depreciation. The Council's MRP policy is contained within the Treasury Management Strategy Statement.

18.7 The estimated financing costs for the capital programme and existing debt have been calculated as part of the budget process. The proposed programme and the existing debt liabilities are affordable within the existing revenue budget. There is a finite level of borrowing that the Council can undertake to remain affordable and meet the Prudential Indicators (which are included in the Treasury Management Strategy). In line with the Prudential Code the Local Authority must have explicit regard to option appraisal and risk, asset management planning, strategic planning, and achievability of the forward plan.

18.8 The Council continues to work to develop schemes which attract external funding or deliver a substantial return on investment. All schemes are reviewed so that the revenue consequences and capital financing costs are understood and budgeted for.

18.9 Borrowing decisions are taken separately for the General Fund and HRA. Each must determine whether proposals requiring borrowing meet the requirements outlined above, although for the HRA it is depreciation rather than MRP which is incurred.

18.10 Following the increase in the margin on Public Works Loan Board (PWLB) debt last year, Government has consulted on the future of the PWLB. Further details are contained in the Treasury Management Strategy Statement. The Prudential Code will be revised to incorporate the additional requirements for local authorities.

18.11 It is proposed that the City Council capital programme for 2021/22 is funded as follows:

Fund	Housing Programmes		Other Programmes	**Total**
	HRA	Non-HRA		
	£m	£m	£m	**£m**
Borrowing	0.0	0.7	257.8	**258.5**
Capital Receipts	1.6	3.3	25.1	**30.0**
Contributions	0.0	0.4	36.4	**36.8**
Grant	1.8	10.4	97.4	**109.6**
Revenue Contribution to Capital Outlay	36.8	0.0	7.9	**44.7**
Grand Total	**40.2**	**14.8**	**424.6**	**479.6**

18.12 Prudential borrowing of up to £601.0m over the period will be needed to support the City Council programme in line with the new schemes and previous planning and profile approval. The breakdown over 2021-2025 is:

- 2021/22 - £258.5m
- 2022/23 - £205.9m
- 2023/24 - £100.4m

- 2024/25 - £36.2m

a. The Housing HRA programme will not require prudential borrowing at this stage but it is likely that projects will be brought forward that will require HRA borrowing which will be reported to members. Schemes are currently financed through the use of the cash backed reserves within the HRA. At the point these reserves are fully utilised additional borrowing will be required with additional financing costs incurred.

b. The General Fund programme requires £601.0m of prudential borrowing which includes:

Scheme	**£m**
Highways Investment Plan	23.2
Bridge maintenance	6.7
Mancunian Way and Princess Parkway NPIF	0.1
Princess Rd Safety Review	0.0
School Crossing Patrols	1.5
A6 Stockport Road Pinch Point Scheme	0.0
Street Lighting PFI	0.8
Waste Reduction Measures	0.3
Waste Contract	0.8
Purchase of Electric RCVs	4.1
Blackley Cremator and Mercury Abatement	1.4
Parks Investment Programme	11.4
Gately Brook Pre-Development Fees	0.1
Wythenshawe Track Changing Rooms	0.3
Indoor Leisure Provision at Abraham Moss	22.6
Boggart Hole Clough - Visitors Centre	0.0
Manchester Aquatics Centre	28.4
Libraries investment	1.1
The Factory	51.1
Hammerstone Road	18.1
Carbon Reduction	20.2
Estates Transformation	1.3
The Sharp Project	0.6
Digital Asset Base - One Central Park	0.7
Sustaining Key Initiatives	11.4
Mayfield Park	0.0
Eastern Gateway	0.6
Northern Gateway	16.6
House of Sport	7.3
Lincoln Square	1.2
Piccadilly Gardens - Phase 1	1.6
Manchester Digital Security Innovation hub (Cyberhub)	2.0
HOME Arches Phase 1	0.2
New Smithfield Market	0.0
Civic Quarter Heat Network	4.7
Refurbishment of the Town Hall and Albert Square	245.6

Scheme	£m
West Gorton Regeneration	1.2
Ben Street Regeneration	1.0
Acquisition of land at Hyde Road	0.0
ICT Investment Plan	29.4
Gorton integrated health development;	19.8
BioMedical Investment	10.1
Airport Loan	36.2
Inflation Fund	17.3

18.13 A number of these schemes will be on an invest to save basis, and will generate revenue savings. The remainder are affordable within the existing capital financing budget.

18.14 Further "spend to save" investment opportunities may arise and delegated authority is given to the Deputy Chief Executive and City Treasurer in consultation with the Executive Member for Finance and Human Resources to increase the capital budget accordingly. The delegation is restricted to an annual limit of £5,000,000. This is on the understanding that the costs of borrowing (interest and principal) of any additions are financed in full by additional income, revenue budget savings, or cost avoidance.

18.15 The proposed funding for the programme across the forecast period is shown below:

	2020/21 budget £m	**2021/22 budget** £m	**2022/23 budget** £m	**2023/24 budget** £m	**2024/25 budget** £m	**Total £m**
Grant	71.6	109.6	70.7	18.3	0.0	**270.2**
External Contribution	33.0	36.8	4.2	0.0	0.0	**74.0**
Capital Receipts	12.4	30.0	8.9	4.8	0.1	**56.2**
Revenue Contribution to Capital Outlay	23.2	44.7	42.1	11.6	0.0	**121.6**
Borrowing	231.9	258.5	205.9	100.4	36.2	**832.9**
Total	**372.2**	**479.6**	**331.8**	**135.1**	**36.3**	**1,354.9**

18.16 The funding forecast includes use of capital receipts already received and a forecast of future receipts based on officer's views on when surplus assets may be sold and the likely market valuations. These forecasts are subject to change which may affect the future funding position.

18.17 The final capital budget will be reported to Council in March and will include any changes to the financing position alongside the impact of any changes in the delivery of the 2020/21 programme.

19 Investments and Liabilities

19.1 Capital investments are regularly reviewed to ensure they continue to perform as expected. With the increased national focus on council investment activities the Capital Strategy has been expanded to include relevant investments and liabilities.

Approach, Due Diligence and Risk Appetite

19.2 Council investments are managed in line with the Ministry of Homes, Communities and Local Government (MHCLG) investment guidance principles of security, liquidity and yield. The application of these principles will differ when considering capital investment rather than treasury management investment. The risk appetite for these two distinct types of investment may differ as capital investments also consider the broader strategic and regeneration objectives and benefits.

19.3 Capital investments are considered in line with the Checkpoint process. Schemes could include lending to organisations with low credit ratings if the appropriate security over the organisations assets or guarantees from parent companies or organisations can be given. A key consideration is that income received from the investment covers the capital financing costs incurred.

Summary of material investments, guarantees and liabilities

19.4 The Council has the current historic investments on the balance sheet as at 31st March 2020:

	Value as at 31/3/20 £m
Long-term Debtors	310.2
Long-term Investments	137.0
Investment Property	475.2
Total	**922.4**

19.5 Long-term debtors - loan finance including the loans to Manchester Airport (£218.7m), Public Finance Initiative prepayments (£23.25m), and Manchester College (£17.6m). These loans are regularly reviewed and would be impaired if there was a risk of default.

19.6 Long-term investments - equity investments held including Manchester Airport (£112.4m), Destination Manchester (£10.2m) which is the Council's investment in Manchester Central, Manchester Science Park (£5.9m) and Matrix Homes (£6.5m). Investments are valued on an annual basis.

19.7 Investment property - held on the basis that it will generate a revenue return, for example land at Manchester Airport and at Eastlands. Some of the properties are held for regeneration purposes but provide a return and have to be shown as investment property. Investment properties are independently valued on an annual basis.

19.8 The capital programme contains the following which will create either long-term debtors, investments or investment properties:

- Waste Contract - providing a loan to the contractor to upgrade vehicles;
- Civic Quarter Heat Network - creation of a heat network through a Council-owned company;
- Private Sector Housing Equity Loans - loans to residents to provide housing support;
- Manchester Airport Car Parks - financial support to the Airport to develop the business;
- Manchester Airport loan – loan funding for the Airport;
- Manchester College Loan - loan to support the College's expansion;
- Manchester Jewish Museum Loan – loan to support the development of the museum;
- Irish World Heritage Centre loan – financial support to the Centre; and
- Biomedical Investment - loan to support the development of health innovation.

There may be other projects which become capital investments, such as to support the Eastern and Northern Gateways.

19.9 All investments are scrutinised via the capital approval process with independent financial, legal and other relevant advice sought. New investments and reported to Executive for approval where appropriate.

19.10 Where investments provide a return through interest or dividends this can be used to support the revenue budget. In 2020/21 it is forecast that c. £9.3m of dividends will be used within the revenue budget. Where investments are funded by borrowing the income received is used to fund the capital financing costs, for example the Airport Strategic Loan.

19.11 All investments are monitored regularly with the frequency based on risk, and at a minimum once a year. Any material changes will be reported to the Deputy Chief Executive and City Treasurer at the earliest opportunity.

Commercial Investments

19.12 Capital investments are made for strategic or regeneration purposes. The Council will not invest in capital schemes purely for yield, although some schemes will be financed all or in part from returns on investment. Usually investment will be within the local authority area, although there may be exceptions if it is within the relevant economic area and meets a key regeneration or zero carbon objective.

19.13 Following the consultation on the future of the PWLB and the introduction of new terms for accessing PWLB loans, local authorities are actively discouraged from investing in assets primarily for yield. All proposed capital investments will have to be reviewed against PWLB guidance to assess whether they are:

- Service spending;
- Investment in housing;

- Regeneration;
- Investment as preventative action; or
- Investment in assets primarily for yield.

19.14 The decision over whether a project complies with the terms of the PWLB is for the Council's Section 151 officer but may be reviewed by Treasury and external auditors. Where local authorities do invest in assets primarily for yield, irrespective of how such assets are financed, access to the PWLB for new debt will be removed apart from for refinancing existing debt.

19.15 The outcome of the consultation also requires local authorities to only invest within their economic area. This may mean that some investment types, such as green energy, become more challenging for the Council to access.

20 Treasury Management

20.1 There is a clear link between capital investment activities and treasury management activities, particularly with regard to how the Council will repay debt and the impact on the revenue budget. The treasury management strategy for the Council is the subject of a separate report on the agenda and the principles are outlcined below.

Long Term Planning (inc. MRP)

20.2 The Treasury Management Strategy provides the framework for treasury management decisions which have to be made with the longer-term impact in mind.

20.3 Under the Prudential Code, the Council must make an annual revenue provision for the repayment of debt, called the minimum revenue provision (MRP). This provision spreads the cost of repaying the debt for an asset over the useful economic life of the asset. It is a real cost and will impact the revenue position. The MHCLG MRP guidance is followed and principles applied. The following asset lives are used when calculating MRP, unless there are asset-specific reasons for deviating from them – such deviation will be guided by qualified valuers recommendations on maximum useful lives:

- Land: 50 years
- Property: 50 years
- Highways: 25 years
- ICT: 5 years

20.4 When making debt decisions the forecast MRP in each future financial year is taken into account. The policy is to seek to match debt repayments to MRP in each year as this is the most prudent approach.

20.5 The Capital Financing Requirement measures an Authority's underlying need to borrow or finance by other long-term liabilities for a capital purpose. It represents the amount of capital expenditure that has not yet been resourced absolutely, whether at the point of spend (by capital receipts, capital grants/contributions or from revenue income), or over the longer term by prudent Minimum Revenue Provision (MRP) or voluntary application of capital receipts for debt repayment etc. Alternatively it provides a figure for the capital expenditure incurred by the Council but not yet provided for.

20.6 The long term forecast for external debt is compared to the Capital Financing Requirement and shown at Appendix Four. This highlights the level of internal borrowing, where the council is using its own cashflow and cash backed reserves in lieu of external debt. Levels of internal borrowing are currently high at £1.1bn, which is reasonable with the very low returns experienced on cash held. However, with the planned use of reserves to support the revenue and capital budgets means this position will change and further external borrowing will be required. External debt peaks as the forecast capital programme for approved schemes ends and will change as further projects are approved and the level of internal borrowing reduced.

20.7 The forecast profile for the Capital Financing Requirement is shown in the table below:

£'m	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Opening CFR	1,496.5	1,700.6	1,925.4	2,092.2	2,150.5	2,143.1
Borrowing	231.9	258.5	205.9	100.4	36.2	0.0
Additional long term liabilities[1]	1.1	0.8	0.9	0.8	0.7	1.3
MRP	(28.9)	(34.5)	(40.0)	(42.9)	(44.3)	(46.5)
Closing CFR	**1,700.6**	**1,925.4**	**2,092.2**	**2,150.5**	**2,143.1**	**2,097.9**

20.8 The principles the Council will follow when taking new debt, and how the debt portfolio will be managed, is set out in the Treasury Management Strategy Statement. This also includes the authorised limit and operational boundary for external debt, based on the forecast debt requirement.

Risk appetite, key risks and sensitivities

20.9 For treasury management investments and debt the Council's risk appetite is extremely low with security of funds the primary concern. The Council seeks to invest surplus cash in instruments with high credit quality and for relatively short periods, and to have debt options available at all times.

20.10 The role of the treasury management teams is to balance the risks associated with the management of cash, acknowledging that they cannot all be

[1] The additional long term liabilities are likely to increase following the introduction of International Financial Reporting Standard 16, due in April 2021. Work is underway to identify the impact of this, and it will be reported to members in due course, the estimate included in these figures is a c. £20m increase.

mitigated, and to seek optimum performance in terms of liquidity and return. The key
sensitivities are changes in market conditions and the availability of debt. The team are in regular contact with brokers in the market and the Council's treasury management advisors to review market conditions and debt opportunities.

20.11 The Council's treasury management position and activities will be reported to Audit Committee throughout the financial year with any changes in market conditions or the Strategy highlighted to members.

21 Skills and Knowledge

21.1 Information, advice and training on the capital checkpoint processes is available for officers and Members. The Capital Programme team use their experience to evaluate new proposals. All proposals are reviewed by the Senior Management Team, including the Deputy Chief Executive and City Treasurer._Capital investments are reviewed under the same approval process with input from appropriately qualified and skilled Finance professionals and external advisors where required**.**

21.2 Since January 2018 the Markets in Financial Instruments Directive II (MiFID II) regulations are in force. For the Council to continue to invest as before it is required to opt up to become a "Professional Status" counterparty. Those with responsibility for the delivery of the treasury management function must be able to demonstrate that they have significant skills and experience of working in a market environment. The existing team fulfils this requirement and the Council currently holds "Professional Status".

22 Conclusions

22.1 This capital strategy provides an overview of how capital expenditure, capital financing and treasury management activity support service delivery, and should be taken in context with the capital budget and the treasury management strategy statement.

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

22.3 There are risks associated with the delivery of the capital strategy, specifically regarding delays to the programme or treasury management risks. Measures are in place to mitigate these risks through both the Strategic Capital Board and the treasury management strategy. Reports will be provided throughout the year to Council, Executive and other relevant committees providing updates on the progress of the capital programme and the risks associated with its delivery and funding.

23 Contributing to a Zero-Carbon City

23.1 Under the governance process for capital expenditure decision making, zero and low carbon measures are a key component. Each project must set achievable carbon reducing targets before being approved.

23.2 For some projects, the aim of the investment will be to reduce the City's carbon impact, for example the Civic Quarter Heat Network.

24 Contributing to the Our Manchester Strategy

(a) A thriving and sustainable city

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

(b) A highly skilled city

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

(c) A progressive and equitable city

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

(d) A liveable and low carbon city

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

(e) A connected city

24.5 Through investment in areas such as ICT and the City's infrastructure of road networks and other travel routes

25 Key Policies and Considerations

(a) Equal Opportunities

25.1 The proposals have been drawn up in awareness of Council policy on equality.

(b) Risk Management

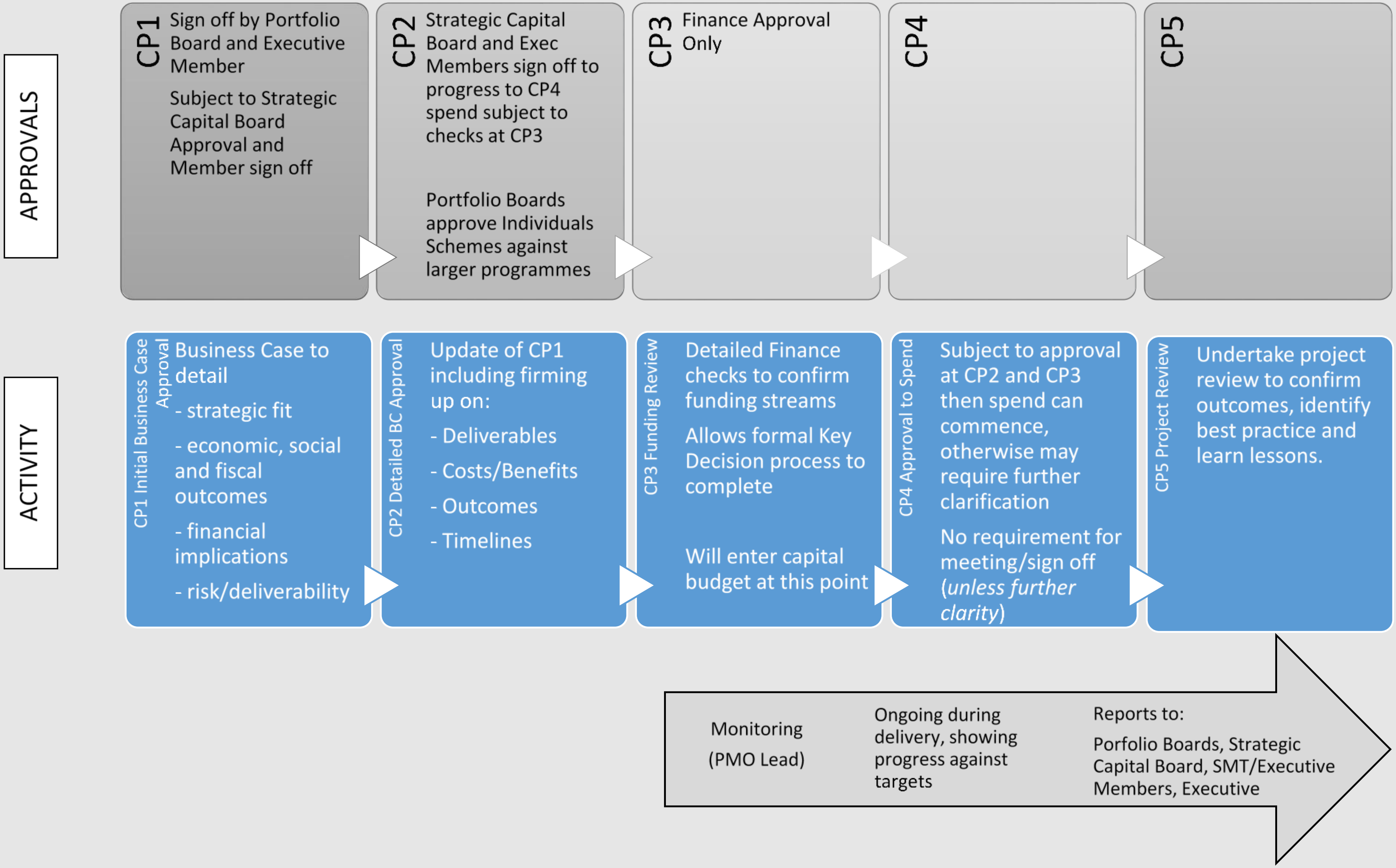
25.2 The capital programme is based on forecast costs and funding, and as such there are risks to achieving the programme from external factors such as shortage of labour or materials, alongside market risks such as price fluctuations and interest rate changes. The Strategic Capital Board, and associated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

(c) Legal Considerations

25.3 None in this report.

Appendix 1

Capital Approval Process and Governance



Appendix 2 – amendments to the capital budget introduced as part of this report

Adjustments to the Capital Budget

Dept	Scheme	Funding	2020/21 £'000	2021/22 £'000	2022/23 £'000	Future £'000	Total £'000
Executive Approval Requests							
Highways	City Centre (Triangle) Active Travel Scheme	External Contribution		4,000			4,000
Highways	Wythenshawe Active Travel Scheme	External Contribution		1,500			1,500
Growth	Public Sector Decarbonisation Scheme	Government Grant	41	22,943			22,984
Growth	Public Sector Decarbonisation Scheme	Government Grant	70				70
Private Sector Housing	Disabled Facilities Grant	Government Grant		1,007			1,007
Public Sector Housing	Social Housing Decarbonisation Fund	Government Grant	75	3.045			3,120
Total Executive Approval Requests			**186**	**32,495**	**0**	**0**	**32,681**
Total Budget Adjustment Approvals			**186**	**32,495**	**0**	**0**	**32,681**

Please note that the additional budgets for 2020/21 are not included in the Capital Monitoring report for quarter 3, as they are new approvals.

Appendix 3 – the proposed Capital Programme Budget

Project Name	2020/21 Proposed Budget £'000	2021/22 Proposed Budget £'000	2022/23 Proposed Budget £'000	2023/24 Proposed Budget £'000	2024/25 Proposed Budget £'000
Highway Programme					
Highways Planned Maintenance Programme					
Drainage	2,120	1,871	0	0	0
Large Patching repairs	0	164	0	0	0
Patching Defect repairs	3,236	2,166	0	0	0
Carriageway Resurfacing	9,031	8,083	0	0	0
Footway schemes	1,720	1,706	0	0	0
Carriageway Preventative	2,355	3,534	0	0	0
Bridge Maintenance	500	2,234	2,233	2,233	0
Other Improvement works	791	11,151	0	0	0
Highways Maintenance Challenge Fund	4,960	910	0	0	0
Highways Major Projects					
Hyde Road (A57) Pinch Point Widening	3,147	0	0	0	0
Manchester/Salford Inner Relief Road (MSIRR)	100	0	0	0	0
Great Ancoats Improvement Scheme	5,669	699	0	0	0
Mancunian Way and Princess Parkway NPIF	4,910	87	0	0	0
Christie Extension RPZ	52	257	0	0	0
Hathersage RPZ	60	0	0	0	0
North Mcr General Hospital RPZ	63	0	0	0	0
St George's RPZ	112	49	0	0	0
Rusholme RPZ	32	227	0	0	0
School Crossings	2,305	1,479	0	0	0
Chorlton Cycling Scheme	2,858	9,456	66	0	0
Northern Quarter Cycling Scheme	636	9,640	0	0	0
Manchester Cycleway	772	271	0	0	0
Beswick Filtered Neighbourhood Development Costs	731	701	0	0	0

Project Name	2020/21 Proposed Budget £'000	2021/22 Proposed Budget £'000	2022/23 Proposed Budget £'000	2023/24 Proposed Budget £'000	2024/25 Proposed Budget £'000
Green Bridge at Airport City	852	71	0	0	0
A6 Stockport Road Pinch Point Scheme	438	8	0	0	0
Levenshulme Mini Holland Cycling and Walking scheme	519	459	0	0	0
Northern/Eastern GW Walking and Cycling scheme	897	1,463	0	0	0
Rochdale Canal	177	0	0	0	0
Highways Stand Alone Projects Programme					
20mph Zones (Phase 3)	124	0	0	0	0
Princess Rd Safety Review	73	15	0	0	0
Public Realm	1,608	567	381	0	0
Street Lighting PFI	750	750	0	0	0
A56 Liverpool Road	62	0	0	0	0
A56 Chester Road	40	0	0	0	0
Sunbank Lane S278	7	0	0	0	0
Sharston Roundabout SCOOT	6	0	0	0	0
Derwent Avenue S106	8	0	0	0	0
Woodhouse Park	16	0	0	0	0
Arena Security Measures	28	0	0	0	0
Ladybarn District Centre	26	0	0	0	0
CCTV Operating System Upgrade	243	0	0	0	0
Manchester Trash Screens	143	0	0	0	0
Oldham Rd Feasibility study	300	0	0	0	0
Enterprise Car Club Bays	28	0	0	0	0
Off Street Car Parks post JV project	247	0	0	0	0
Electric Vehicle Charging Points Ph 1	30	0	0	0	0
TfGM Bus Enhancements	38	0	0	0	0
Bee Network Crossings	53	0	0	0	0
Active Travel Development Costs	160	5,540	0	0	0

Project Name	2020/21 Proposed Budget £'000	2021/22 Proposed Budget £'000	2022/23 Proposed Budget £'000	2023/24 Proposed Budget £'000	2024/25 Proposed Budget £'000
Total Highways Programme	**53,033**	**63,558**	**2,680**	**2,233**	**0**
Environment and Operations Programme					
Waste Reduction Measures	750	330	0	0	0
Waste Contract	50	500	350	0	0
Purchase of Electric RCVs	5,786	4,110	0	0	0
Cremator & Mercury Abatement Plant Replacement Strategy	136	1,415	0	0	0
Leisure Services Programme					
Parks Programme					
PIP - Park Events Infrastructure	12	0	0	0	0
Parks Development Programme	275	3,097	3,574	4,685	0
Somme 100 Year Memorial	3	0	0	0	0
Painswick Park Improvement	2	0	0	0	0
Heaton Park Southern Play Area	28	0	0	0	0
Wythenshawe Park Sport Facilities S106	5	0	0	0	0
King George V Park	15	0	0	0	0
Angel Meadow S.106	192	0	0	0	0
Gately Brook Pre-Development Fees	36	80	0	0	0
Leisure & Sports Facilities					
Wythenshawe Track Changing Rooms	40	340	0	0	0
Indoor Leisure - Abraham Moss	280	9,800	12,794	45	0
Boggart Hole Clough - Visitors Centre	0	0	535	0	0
Mount Road S106	0	32	0	0	0
Culture Website	4	0	0	0	0
Manchester Regional Arena Track Replacement	324	0	0	0	0
Mellands Playing Fields - Levenshulme	11	153	0	0	0

Project Name	2020/21 Proposed Budget £'000	2021/22 Proposed Budget £'000	2022/23 Proposed Budget £'000	2023/24 Proposed Budget £'000	2024/25 Proposed Budget £'000
Mellands Project - Longsight Ward	330	0	0	0	0
Gorton & Abbey hey Project	96	196	0	0	0
Hough End Master Plan - Strat Football Hub Development Costs	277	231	0	0	0
Range Stadium Capital Project	168	0	0	0	0
MAC - Car Park Improvements	402	0	0	0	0
Non-Turf Wickets - Parks & Playing Fields	141	91	0	0	0
Manchester Aquatics Centre	716	8,498	12,621	8,620	0
Libraries and Culture Programme					
Central Library Wolfson Award	0	2	0	0	0
Central Library Refresh	35	922	0	0	0
Open Libraries	107	198	0	0	0
Contact Theatre loan	200	0	0	0	0
Total Neighbourhoods Programme	**10,421**	**29,995**	**29,874**	**13,350**	**0**
Cultural Programme					
First Street Cultural Facility	14	0	0	0	0
The Factory (Build)	36,163	52,237	31,835	0	0
St Johns (Public Realm)	312	3,811	75	0	0
Corporate Estates Programme					
Asset Management Programme	6,885	11,456	1,191	0	0
MAC feasibility works	215	249	0	0	0
Town Hall Complex Transformation Programme	54	0	0	0	0
Hammerstone Road Depot	1,208	11,249	6,815	0	0
Carbon Reduction Programme	3,910	5,200	5,000	10,000	0
Public Sector Decarbonisation Scheme	111	22,943	0	0	0
Greening of the City	250	750	0	0	0

Project Name	2020/21 Proposed Budget £'000	2021/22 Proposed Budget £'000	2022/23 Proposed Budget £'000	2023/24 Proposed Budget £'000	2024/25 Proposed Budget £'000
Estates Transformation	0	0	800	0	0
Estates Transformation - Hulme District Office	3	0	0	0	0
Estates Transformation - Alexandra House	6,156	450	0	0	0
Proud Trust - Sidney Street	250	0	0	0	0
Development Programme					
Digital Assets Board (MCDA)					
Space - Phase 3	100	550	0	0	0
The Sharp Project	0	600	0	0	0
Digital Asset Base - One Central Park	101	667	0	0	0
Strategic Acquisitions Board					
Strategic Acquisitions Programme	3,038	1,323	0	0	0
Sustaining Key Initiatives	0	0	11,458	0	0
Mayfield Park	296	35	0	0	0
Northern Gateway					
Housing Infrastructure Fund	250	15,980	16,500	18,270	0
Acquisition of land at Red Bank	2,305	0	0	0	0
Northern Gateway	6,700	4,445	7,275	4,875	0
Eastern Gateway					
Eastern Gateway - Central Retail Park	200	509	0	0	0
Eastern Gateway - New Islington Marina	15	50	0	0	0
House of Sport	1,130	7,290	0	0	0
Demolition of Grey Mare Police Station	500	261	0	0	0
City Centre					
St. Peters Square - Peterloo	0	106	0	0	0
Medieval Quarter Public Realm	851	1,938	0	0	0
Manchester College	5,000	0	0	0	0
Digital Business Incubators	200	0	0	0	0

Project Name	2020/21 Proposed Budget £'000	2021/22 Proposed Budget £'000	2022/23 Proposed Budget £'000	2023/24 Proposed Budget £'000	2024/25 Proposed Budget £'000
Lincoln Square	0	1,200	0	0	0
Piccadilly Gardens - Phase 1	250	1,561	0	0	0
Manchester Digital Security Innovation hub (Cyberhub)	0	2,000	0	0	0
HOME Arches Phase 1	20	195	0	0	0
Other Strategic Development Initiatives					
New Smithfield Market	100	369	0	0	0
Heron House & Registrars	1,966	0	0	0	0
Civic Quarter Heat Network	9,000	4,679	0	0	0
Total Growth & Development Programme	**87,553**	**152,103**	**80,949**	**33,145**	**0**
Town Hall Refurbishment Programme					
Our Town Hall refurbishment	34,618	63,626	88,231	57,482	36,217
Total Town Hall Refurbishment Programme	**34,618**	**63,626**	**88,231**	**57,482**	**36,217**
Private Sector Housing Programme					
Brunswick PFI (PSH)					
Brunswick PFI Land Assembly	100	593	677	0	0
Collyhurst (PSH)					
Collyhurst Regeneration	0	178	1,000	2,700	0
Collyhurst Environmentals	0	0	0	0	55
Collyhurst Land Assembly Ph1	0	29	0	0	0
Collyhurst Land Acquisitions Ph2	0	0	210	799	0
Eccleshall Street - 3 Sites	0	0	500	0	0
Housing Investment Model	0				
Site Investigation and Early Works HIF Pilot Sites	0	0	65	0	0

Project Name	2020/21 Proposed Budget £'000	2021/22 Proposed Budget £'000	2022/23 Proposed Budget £'000	2023/24 Proposed Budget £'000	2024/25 Proposed Budget £'000
Miles Platting PFI (PSH)					
Miles Platting PFI Land Assembly	7	143	266	0	0
Private Housing Asist Citywide Programme					
Disabled Facilities Grant	3,004	8,357	1,850	0	0
Toxteth St CPO & environmental works	1	10	19	0	0
Bell Crescent CPO	0	0	0	482	0
Private Sect Housing Standalone Projects					
HCA Empty Homes Cluster Phase 2	257	265	891	0	0
Princess Rd	100	0	0	0	0
Empty Homes Scheme (s22 properties)	2,000	0	0	0	0
Ancoats Dispensary: Survey Work to Confirm Major Project Viability	352	0	0	0	0
Redrow Development Programme					
Redrow Development Phase 2 onward	21	0	0	0	0
West Gorton (PSH)					
West Gorton Compensation	4	0	0	0	0
West Gorton Ph 2A Demolition & Commercial Acquisitions	115	322	904	0	0
Private Sector Housing - Stand Alone Projects					
HMRF	10	30	89	0	0
Collyhurst Acquisition & Demolition (Overbrook & Needwood Close)	0	664	0	0	0
Extra Care	0	0	1,245	1,200	0
Moston Lane Acquisitions	0	0	0	7,500	0
Equity Loans	0	0	397	0	0
West Gorton Community Park	350	25	25	0	0
Ben St. Regeneration	53	375	623	0	0
Marginal Viability Fund - New Victoria	6,900	2,054	2,446	0	0
Chimebank S.106	34	0	0	0	0
Next Steps Accommodation Programme Property Acquisitions	5	2,735	0	0	0

Project Name	2020/21 Proposed Budget £'000	2021/22 Proposed Budget £'000	2022/23 Proposed Budget £'000	2023/24 Proposed Budget £'000	2024/25 Proposed Budget £'000
Green Homes Grant Delivery scheme	500	0	0	0	0
Social Housing Decarbonisation Fund	75	3,045	0	0	0
Total Private Sector Housing Programme	**13,888**	**18,825**	**11,207**	**12,681**	**55**
Public Sector Housing					
Northwards - External Work					
Charlestown - Victoria Ave multistorey window replacement and ECW - Phase 1	2,264	6,535	3,484	0	0
Environmental works	0	0	5	0	0
Moston Miners Low Rise externals	0	0	5	0	0
External cyclical works ph 3b Ancoats Smithfields estate	50	40	0	0	0
Environmental improvements Moston corrolites	50	0	31	0	0
ENW distribution network phase 4 (various)	12	70	120	0	0
Various Estate based environmental works	77	100	86	0	0
Moston Corrolites external work	0	1,004	216	0	0
Retaining Walls	0	168	90	42	0
Delivery Costs	352	1,029	525	5	0
Northwards - Internal Work					
Decent Homes mop ups ph 9 and decent homes work required to voids	0	0	20	0	0
Ancoats - Victoria Square lift replacement	4	0	0	0	0
Harpurhey - Monsall Multis Internal Works	876	0	64	0	0
Newton Heath - Multies Internal Works	2,922	204	11	0	0
Higher Blackley - Liverton Court Internal Works	4	0	0	0	0
Various - Bradford/Clifford Lamb/Kingsbridge/Sandyhill Court Internal Works	185	52	0	0	0
Charlestown - Rushcroft/Pevensey Court Internal Works	879	0	95	0	0

Project Name	2020/21 Proposed Budget £'000	2021/22 Proposed Budget £'000	2022/23 Proposed Budget £'000	2023/24 Proposed Budget £'000	2024/25 Proposed Budget £'000
Collyhurst - Mossbrook/Roach/Vauxhall/Humphries Court Internal Works	405	238	0	0	0
Decent Homes mop ups phase 10 and voids	40	0	377	0	0
One off work - rewires, boilers, doors	44	8	0	0	0
Fire precautions multi storey blocks	0	0	150	0	0
ERDF Heat Pumps	2,737	1,234	443	0	0
Charlestown - Rushcroft/Pevensey Courts Lift Refurb	0	240	198	99	0
One off type work (rewires/boilers/doors)	195	16	0	0	0
Fire Risk Assessments	353	2,968	1,103	1,387	0
Northwards - Harpurhey 200 Estate Internal Works	632	0	219	0	0
Rushcroft and Pevensey Courts Ground Source Heat Pumps	556	1,867	0	0	0
Harpurhey Baths Estate (excl Edward Grant Court) and Cheetham Appleford Estate	60	532	234	0	0
Newton Heath Troydale and Croyden Drive Low Rise Estates	300	1,093	512	111	0
Responsive Investment Works	64	387	299	0	0
Retirement blocks various M&E/H&S works	0	813	323	213	0
One off type work such as rewires boilers doors	50	300	0	0	0
Delivery Costs	1,479	1,293	526	235	0
Northwards - Off Debits/Conversions					
Bringing Studio Apartments back in use	0	0	12	0	0
Various Locations - bringing bedsits back into use	0	0	104	0	0
Delivery Costs	0	0	15	0	0
Homeless Accommodation					
Improvements to Homeless accommodation city wide	0	0	24	0	0
Plymouth Grove Women's Direct Access Centre	0	0	28	0	0
Improvements to Homeless Accommodation Phase 2	350	289	103	0	0
Woodward Court reroofing	0	227	20	0	0
Woodward Court lift replacement	0	0	434	0	0

Project Name	2020/21 Proposed Budget £'000	2021/22 Proposed Budget £'000	2022/23 Proposed Budget £'000	2023/24 Proposed Budget £'000	2024/25 Proposed Budget £'000
Delivery Costs	50	67	79	0	0
Northwards - Acquisitions					
Stock Acquisitions	2	0	0	0	0
Northwards - Adaptations					
Adaptations	75	150	75	0	0
Various Locations - Adaptations	180	350	215		0
Delivery Costs	26	46	28		0
Northwards - Unallocated					
Northwards Housing Programme - Unallocated	0	467	13,361	0	0
Retained Housing Programme					
Collyhurst Maisonette Compensation & Dem	0	89	935	0	0
West Gorton Regeneration Programme					
West Gorton PH2A Low & High Rise Demolition	26	0	0	0	0
Future Years Housing Programme					
Collyhurst Estate Regeneration	0	0	1,541	0	0
Buy Back Properties - Right to Buy	141	365	500	500	0
Collyhurst Regen - Highways Phase 1	0	287	1,394	0	0
Collyhurst Regen - Churnett Street	0	0	790	0	0
Collyhurst Regen - Needwood & Overbrook acquisition / demolition	0	134	0	0	0
Willert Street Park Improvements	0	10	0	0	0
North Manchester New Builds	38	339	0	0	0
North Manchester New Builds 3 – Silk Street	210	3,322	8,114	647	0
Parkhill Land Assembly	0	0	4,270	0	0
Collyhurst	400	13,890	4,310	0	0
Total Public Sector Housing (HRA) Programme	**16,088**	**40,223**	**45,488**	**3,239**	**0**

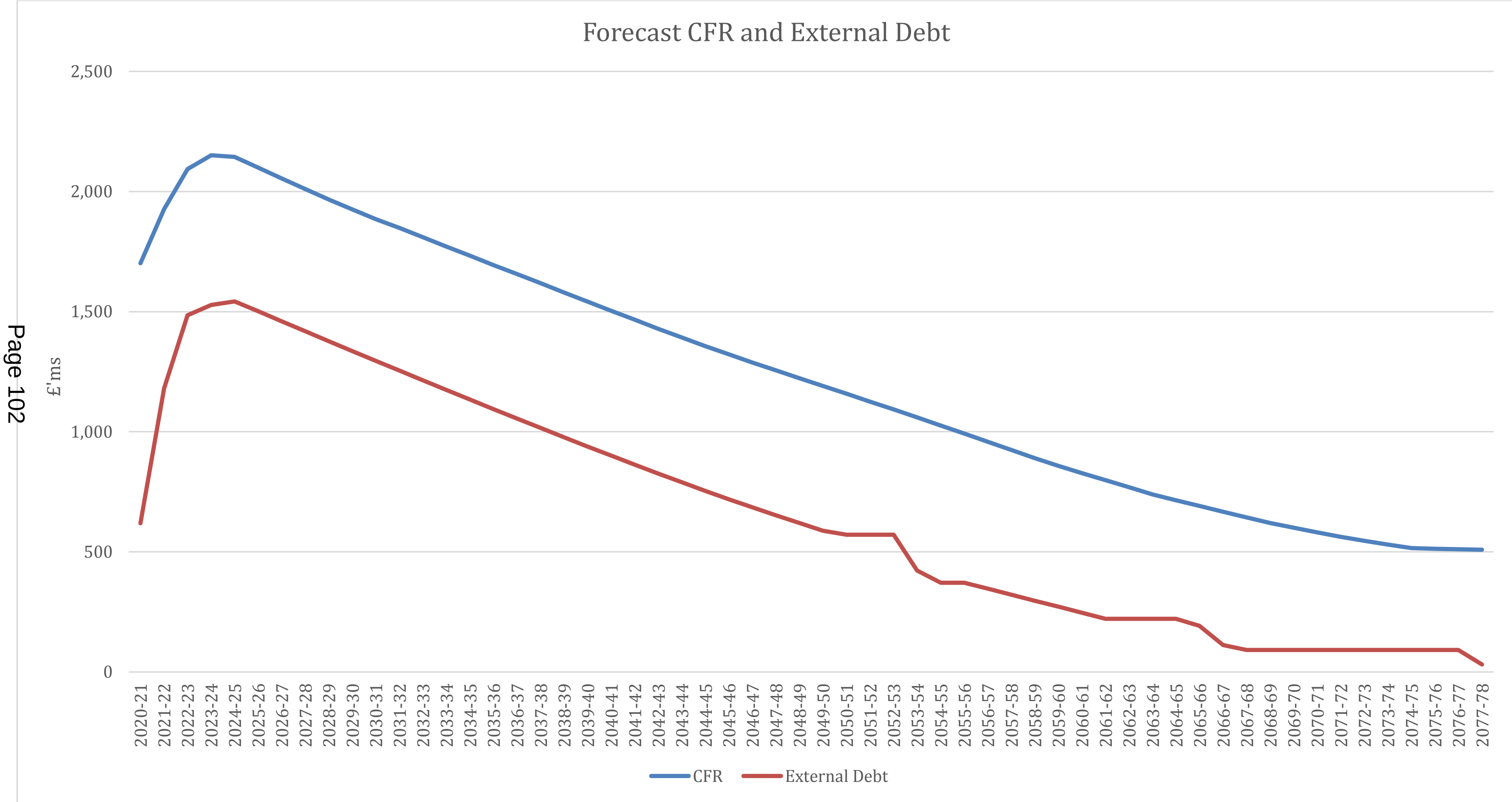
Project Name	2020/21 Proposed Budget £'000	2021/22 Proposed Budget £'000	2022/23 Proposed Budget £'000	2023/24 Proposed Budget £'000	2024/25 Proposed Budget £'000
Children's Services Programme					
Basic Need Programme					
Lytham Rd	14	0	0	0	0
Plymouth Grove Refurbishment	4	0	0	0	0
Crossacres Primary School	24	0	0	0	0
Dean Trust Expansion	2,859	0	0	0	0
Brookside Rd Moston	3,714	3,707	0	0	0
North Hulme Adv Playground	1,798	2,861	0	0	0
Roundwood Road	6,436	1,368	200	0	0
Piper Hill Special School	15	0	0	0	0
SEND Expansions - Melland & Ashgate	3	0	0	0	0
Coop North Expansion	488	0	0	0	0
Our Lady's Expansion	160	0	0	0	0
Manchester Communications Academy	111	0	0	0	0
Co-op Academy Belle Vue - Permanent	1,000	3,146	0	0	0
Co-op Academy Belle Vue - Early Opening	1,000	1,140	0	0	0
St Peters RC High school expansion	383	0	0	0	0
Lancasterian Rebuild & Expansion - Pre Devel Costs	0	140	0	0	0
Our Lady's RC Permanent Expansion	100	1,800	500	0	0
Basic need - unallocated funds	0	18,386	43,944	0	0
Universal Infant Free School Meals (UIFSM) - Allocated	7	0	0	0	0
Universal Infant Free School Meals (UIFSM) - Unallocated	75	0	0	0	0
Schools Maintenance Programme					
Broad Oak Primary School Kitchen	12	745	0	0	0
Lily Lane Prim Windows	0	96	0	0	0
Moston Lane Reroof	6	0	0	0	0
St.Augustine's	66	0	0	0	0

Project Name	2020/21 Proposed Budget £'000	2021/22 Proposed Budget £'000	2022/23 Proposed Budget £'000	2023/24 Proposed Budget £'000	2024/25 Proposed Budget £'000
Medlock Primary - Boundary Wall rebuild	0	80	0	0	0
Crumpsall Lane - Electrical rewire	899	0	0	0	0
Mauldeth Rd Rewire	599	0	0	0	0
Button Lane Primary Fire Alarm	136	0	0	0	0
Charlestown Comm Fire Alarm/Lighting	164	0	0	0	0
Northenden Primary Pipework and Radiators	235	0	0	0	0
Crowcroft Park roof repairs	245	0	0	0	0
St Wilfreds CE Ph 1 roof repairs	6	444	0	0	0
Northenden Comm external works	81	0	0	0	0
Abbott Kitchen ventilation	54	0	0	0	0
Manley Park Primary Ph1 roof repairs	300	0	0	0	0
Broad Oak Reception class and roof repair	346	0	0	0	0
Schools Capital Maintenance -unallocated	150	3,435	247	0	0
Education Standalone Projects					
Brighter Beginnings Burnage -EY maintenance works	2	0	0	0	0
Moss Side CC - EY maintenance works	6	0	0	0	0
Early Education for Two Year Olds - Unallocated	44	0	0	0	0
Healthy Pupil Capital Funding	0	257	0	0	0
North Ridge SEN	3,127	9	0	0	0
Grange School	195	0	0	0	0
Special Educational Needs grant	0	488	0	0	0
Seymour Road	653	0	0	0	0
Commercial Wharf/ISS Refurbishment of YJS Building	104	36	0	0	0
Ghyll Head	756	335	0	0	0
Acquisition of land at Hyde Road	10,100	12	0	0	0
Nurseries Capital Fund - Unity Community	230	139	0	0	0
Lyndene Children's Home Refurbishment	502	373	0	0	0

Project Name	2020/21 Proposed Budget £'000	2021/22 Proposed Budget £'000	2022/23 Proposed Budget £'000	2023/24 Proposed Budget £'000	2024/25 Proposed Budget £'000
Total Children's Services Programme	**37,209**	**38,997**	**44,891**	**0**	**0**
ICT Capital Programme					
ICT Infrastructure & Mobile Working Programme					
Internet Resilience	27	0	0	0	0
Network Refresh Programme	346	4,912	4,042	0	0
Data Centre Network Design and Implementation	510	0	0	0	0
End User Experience	970	3,488	727	0	0
Microsoft 365	1,760	0	0	0	0
Telephony	95	305	0	0	0
TEC Digital Platform	79	78	0	0	0
ICT Investment Plan	0	0	8,112	7,693	0
Total ICT Programme	**3,787**	**8,783**	**12,881**	**7,693**	**0**
Corporate Capital Programme					
Pay and Display Machines	220	0	0	0	0
Phase 1 Implementation - Locality Plan Programme Office	487	0	0	0	0
Integrated Working - Gorton Health Hub	413	14,674	5,092	0	0
BioMedical Investment	3,792	3,792	3,993	2,308	0
Manchester Jewish Museum Loan	290	0	0	0	0
Manchester Airport Car Park Investment	3,730	0	0	0	0
FC United	170	0	0	0	0
VCSE Small premises works	0	0	500	500	0
IWHC Loan	10	0	0	0	0
Airport Loan	106,452	36,248	0	0	0

Project Name	2020/21 Proposed Budget £'000	2021/22 Proposed Budget £'000	2022/23 Proposed Budget £'000	2023/24 Proposed Budget £'000	2024/25 Proposed Budget £'000
Inflation	0	8,800	6,000	2,475	0
Total Corporate Capital Programme	**115,564**	**63,514**	**15,585**	**5,283**	**0**
Total Capital Programme	**372,161**	**479,624**	**331,786**	**135,106**	**36,272**

Appendix 4 – Capital Financing Requirement and Forecast External Debt



Manchester City Council
Report for Resolution

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

Subject: Treasury Management Strategy Statement 2021/22, including Borrowing Limits and Annual Investment Strategy

Report of: Deputy Chief Executive and City Treasurer

Summary

To set out the proposed Treasury Management Strategy Statement and Borrowing Limits for 2021/22 and Prudential Indicators for 2021/22 to 2023/24.

Recommendations

The Executive is requested to:

1. Recommend the report to Council.

2. Delegate authority to the Deputy Chief Executive and City Treasurer, in consultation with the Executive Member for Finance and Human Resources, to:
   - approve changes to the borrowing figures as a result of changes to the Council's Capital or Revenue budget; and
   - submit these changes to Council.

The Resource and Governance Scrutiny Committee is requested to commend the report to Council.

The Council is recommended to:

1. Approve the proposed Treasury Management Strategy Statement, in particular the:
   - Borrowing Requirement listed in Section 7 of this report;
   - Borrowing Strategy outlined in Section 10;
   - Annual Investment Strategy detailed in Section 11;
   - Prudential and Treasury Indicators listed in Appendix A;
   - MRP Strategy outlined in Appendix B;
   - Treasury Management Policy Statement at Appendix C; and
   - Treasury Management Scheme of Delegation at Appendix D

2. Delegate to the Deputy Chief Executive and City Treasurer, in consultation with the Executive Member for Finance and Human Resources, the power to pursue any restructuring, rescheduling or redemption opportunities available, including amendments to the Treasury Management Strategy if the changes

require it. Any changes required to the Strategy will be reported to members at the earliest opportunity.

Wards Affected - All

Environmental Impact Assessment - the impact of the decisions proposed in this report on achieving the zero-carbon target for the city
Treasury Management activity underpins the Council's finances, and therefore supports projects and initiatives which seek to achieve the Council's zero carbon target.

Our Manchester Strategy outcomes	**Contribution to the strategy**
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	The Treasury Management function supports the whole Council by seeking to ensure that funding is available when required, to fund all of the work that the Council undertakes. Therefore, whilst not directly contributing to the strategic aims, the Council's treasury management activity underpins the work taking place elsewhere to achieve the outcomes.
A highly skilled city: world class and home grown talent sustaining the city's economic success	
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	
A liveable and low carbon city: a destination of choice to live, visit, work	
A connected city: world class infrastructure and connectivity to drive growth	

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

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

The capital financing budget forms a key part of the Council's revenue budget. The activity forecast in this report is affordable within the existing and future capital financing budget, including use of the capital financing reserve.

Financial Consequences – Capital

None – the Council's treasury management activity is by definition not capital expenditure.

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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 2020/21 to 2024/25 report to Executive 17 February 2021
- CIPFA Prudential Code 2017
- CIPFA Treasury Management Code of Practice 2018

Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy please contact one of the contact officers above.

1. **Introduction**

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

1.2 The Treasury Management Strategy Statement is linked to the Capital Strategy, in that both documents detail the risks that the Council face, but critically the Treasury Management Strategy Statement is focussed on the risks associated with the management of the Council's cash flow and debt, whereas the Capital Strategy looks at capital investment and expenditure decisions.

1.3 The capital budget contains significant priorities for the Council, such as the refurbishment of the Town Hall, which are to be funded from borrowing. This strategy details how decisions will be taken regarding new borrowing and that the over-arching principle is that the borrowing provides value for money for the Council in whatever form it takes. Capital investment decisions are made in line with the economic and regeneration objectives for the city and to support delivery of the agreed capital strategy.

1.4 For treasury management investments the Council holds security and liquidity as paramount. This strategy proposes the use of investment types aimed at ensuring that funds are kept secure and that the Council has access to funds when they are required.

1.5 The work of the Council's treasury management function is impacted by market conditions and there are significant economic changes, such as the end to the transition period and COVID-19 Pandemic, which create uncertainty in the market. The strategy has been drafted to provide flexibility to manage the risks associated with uncertainties such as interest rate or liquidity challenges.

Treasury Management Strategy for 2021/22

1.6 The suggested strategy for 2021/22 is based upon the treasury officers' views on interest rates, supplemented with market forecasts provided by the Council's treasury advisor, Link Asset Services. The strategy covers:

Section 1: Introduction
Section 2: CIPFA Definition of Treasury Management
Section 3: Statutory and other Requirements
Section 4: Prudential and Treasury Indicators for 2021/22 to 2023/24
Section 5: Impact of 2012 HRA reform
Section 6: Current Portfolio Position
Section 7: Prospects for Interest Rates
Section 8: Borrowing Requirement
Section 9: Borrowing Strategy
Section 10: Annual Investment Strategy

2 CIPFA Definition of Treasury Management

2.1 Treasury management is defined by CIPFA as:
'The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.'

3 Statutory and other requirements

Statutory requirements

3.1 The Local Government Act 2003 (the Act) and supporting regulations require the Council to 'have regard to' the Chartered Institute of Public Finance and Accountancy's (CIPFA) Prudential Code and the CIPFA Treasury Management Code of Practice to set Prudential and Treasury Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

3.2 The Act therefore requires the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy (as required by Investment Guidance subsequent to the Act and included as section 11 of this report); the Strategy sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.

3.3 The Department for Housing, Communities and Local Government (DHCLG) issued revised investment guidance which came into effect from the 1 April 2010. In 2017 the Department, now the Ministry of Housing Communities and Local Government (MHCLG) further updated its guidance on local government investments. CIPFA responded to these revisions by issuing an updated Code of Practice on Treasury Management and the Prudential Code in 2017. CIPFA also issued Public Services Guidance Notes in 2018 to support the changes made to the Codes.

CIPFA requirements

3.4 The CIPFA Code of Practice on Treasury Management has been adopted by the Council. This strategy has been prepared in accordance with the revised December 2017 Code.

3.5 The primary requirements of the Code are as follows:

a) Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities;
b) Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives;
c) Receipt by the full Council of an annual Treasury Management Strategy Statement, including the Annual Investment Strategy and Minimum Revenue Provision Policy for the year ahead, a Mid-year Review Report and an Annual Report covering activities during the previous year;
d) Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions;
e) Delegation by the Council of the role of responsible body for treasury management strategy and practices, budget consideration and approval, monitoring and selection of external service providers to a specific named body. For this Council the delegated body is the Audit Committee.
f) Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Council the delegated body is the Resource and Governance Scrutiny Committee.

3.6 The Council's adherence to the Prudential Code is monitored through the series of Prudential Indicators defined by CIPFA. Adherence to the CIPFA Prudential Code is a factor which informs the Council's investment policy. The legal status of the Treasury Management Code is derived in England and Wales from regulations issued under the Local Government Act 2003. This includes statutory guidance on Local Government investments issued under section 15(1) (a) of the Act.

Balanced Budget Requirement

3.7 It is a statutory requirement under Section 33 of the Local Government Finance Act 1992, revised under Section 31 of the Localism Bill 2011, for the Council to produce a balanced budget. In particular, Section 31 requires a local authority to calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This means that increases in capital expenditure must be limited to a level whereby increases in charges to revenue from:

- increases in interest charges caused by increased borrowing to finance additional capital expenditure;
- increases to the minimum revenue provision; and
- increases in running costs from new capital projects

are limited to a level which is affordable within the projected income of the Council for the foreseeable future.

4 Prudential and Treasury Indicators for 2021/22 to 2023/24

4.1 It is a statutory duty under Section 3 of the Act and supporting regulations that the Council determines and keeps under review how much it can afford to borrow. This amount is termed the 'Affordable Borrowing Limit'. In England this Authorised Limit represents the legislative limit specified in the Act and is one of the key Prudential Indicators identified by the CIPFA Code.

4.2 The Council must have regard to the Prudential Code when setting the Authorised Limit which requires it to ensure that total capital investment remains within sustainable limits.

4.3 Whilst termed an Affordable Borrowing Limit, the capital plans incorporate financing by both external borrowing and other forms of liability such as credit arrangements. The Authorised Limit is to be set on a rolling basis for the forthcoming financial year and two successive financial years.

4.4 The full set of Treasury limits and Prudential Indicators recommended by the Code and used by the Council, together with their suggested levels for 2021/22 is noted in Appendix A of this report.

4.5 It should be noted that the Prudential and Treasury Indicators in this report may be subject to change dependent on decisions taken on the Capital and Revenue budgets which are reported elsewhere on this agenda.

5 The Housing Revenue Account – Impact of 2012 HRA Reform

5.1 The Local Government Finance and Housing Act 1989 requires Councils who own housing they rent out to tenants to separate all of the financial activities relating to the Council acting as landlord into a ring-fenced account known as the Housing Revenue Account (HRA). Due to the ring-fence it is illegal for the Council to subsidise any General Fund (GF) activity from its HRA and vice versa.

5.2 The Treasury Management Strategy for 2013/14 was the first to incorporate the split of the Council's debt portfolio following the HRA debt settlement of March 2012 which ended the subsidy arrangement. Details of how the split was calculated and the corresponding effect on treasury management activities are at Appendix I.

5.3 The treasury position of the Council will continue to be monitored at a Council level alongside the separate positions for the GF and the HRA. The HRA is also limited in terms of the treasury activity it can undertake as any temporary borrowing or investing it requires or long-term borrowing will be through the GF. This ensures that the overall Council position is managed as effectively and efficiently as possible.

5.4 To reflect the fact that the HRA now has its own treasury position this report will mention where the HRA treasury strategy may be different to that of the GF. Where the Council strategy is mentioned this applies to both the GF and the HRA.

6 Current Portfolio Position

6.1 The forecast portfolio position for the end of the current financial year is shown below. Short term borrowing relates to temporary borrowing from other Local Authorities which was required to ensure cash liquidity during the COVID-19 pandemic that put significant strain on the availability of cash due to reduced income from business rates, council tax, and other forms of income, as reported in the Interim Report 2020/21 which went to Audit Committee on 10th of November 2020.

6.2 The Council's forecast treasury portfolio position at 31st March 2021 is:

Table 1	**Principal**			**Av Rate**
	GF £'m	HRA £'m	**Total £'m**	%
Long Term Borrowing				
PWLB	150.0	0.0	**150.0**	2.45
Market	336.8	61.9	**398.7**	4.48
Stock	0.9	0.0	**0.9**	4.00
SALIX	15.0	0.0	**15.0**	0.00
HCA	8.4	0.0	**8.4**	0.00
	511.1	61.9	**573.0**	
Short Term Borrowing				
Local Authorities	165.0	0.0	**165.0**	0.68
Other	11.1	0.0	**11.1**	0.60
	176.1	0.0	**176.1**	
Forecast Additional Borrowing[1]	20.0	0.0	**20.0**	
Gross Debt	707.2	61.9	**769.1**	2.96
External Investments	(12.0)	0.0	**(12.0)**	0.00
Internal Balances (GF/HRA)	51.1	(51.1)	**0**	0.00
Net Debt	**746.3**	**10.8**	**757.1**	
Capital Financing Requirement			1,700.6	
Gross Debt			769.1	
Internal Borrowing			**931.5**	

6.3 The Capital Financing Requirement measures an Authority's underlying need to borrow or finance by other long-term liabilities for a capital purpose. It

[1] Forecast additional borrowing is based on current forecasts at the end of December 2020 and is subject to change depending on changes in expenditure, income, and working capital.

represents the amount of capital expenditure that has not yet been resourced absolutely, whether at the point of spend (by capital receipts, capital grants/contributions or from revenue income), or over the longer term by prudent Minimum Revenue Provision (MRP) or voluntary application of capital receipts for debt repayment etc. Alternatively, it provides a figure for the capital expenditure incurred by the Council but not yet provided for.

6.4 The Capital Financing Requirement of the City Council as at 31st March 2021 is forecast to be c. £1,700.6m. The difference between this and the actual gross debt of the Council is c. £931.5m which is the amount of funding that the Council has internally borrowed or has been funded through credit arrangements. This is a reflection of the Council's ongoing treasury strategy of using internal cash to reduce the amount of borrowing required rather than holding this cash as investments.

6.5 In the current environment where the rate of interest on investments is significantly lower than that on borrowing and there are substantial counterparty risks, this has been a prudent approach and has provided value for money for the Council. Internal cash refers to cash surpluses which arise from the timing of receipts and payments.

6.6 As part of the reform of the HRA, on the 28th March 2012 the then DHCLG repaid all of the Council's Public Works Loan Board (PWLB) debt which had been gradually reduced over recent years by various housing stock transfers. Subsequently the HRA debt portfolio consists almost exclusively of market debt, the majority of which are Lender Option Borrower Option (LOBO) loans which have long-term maturity dates. Whilst this provides some stability for the Council as LOBOs are unlikely to be called in the near future due to the current and forecast market environment, it does mean that when seeking to take new debt the Council should consider diversifying the portfolio, not least to ensure a wider range of maturity dates.

6.7 The portfolio at 31st March 2021 includes Council Stock with a value of £0.9m. This Stock debt is attributable to the irredeemable class of stock where stockholders have not taken up the Council's redemption offer made in 2017/18.

7 Prospects for Interest Rates

7.1 The Council has appointed Link Asset Services as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Appendix G draws together a number of current City forecasts for short term (Bank Rate) and longer fixed interest rates. The following gives Link's central view for interest rates at financial year ends (March):

- 2021: 0.10%
- 2022: 0.10%
- 2023: 0.10%

7.2 There is no certainty to these forecasts. A detailed view of the current economic background prepared by Link Asset Services is at Appendix F to this report.

7.3 The Council seeks to maintain a portfolio of debt and investments that is a mix of fixed and variable interest rates. Whilst fixed interest rates give the Council certainty, there is also a risk that prevailing market rates change and there are then opportunities to either increase the rate of return on investments or reduce the rate of interest on debt which could not be taken if the whole portfolio was fixed.

7.4 The Council's treasury management investments are classed as variable as the Council invests short term to enable the cash flow to be managed. In terms of debt, the Council has a significant portfolio of fixed rate debt, but as noted above a significant element of this is LOBO debt which means that there are risks that the interest rate on that debt could change. The Council monitors this position, including the likely use of the Lender Options, and will make future borrowing decisions with a view to keeping the debt portfolio balanced between fixed and variable debt.

8 Borrowing Requirement

8.1 The potential long-term borrowing requirements over the next three years are:

Table 2	**2021/22 £'m estimate**	**2022/23 £'m estimate**	**2023/24 £'m estimate**
Planned Capital Expenditure funded by Borrowing	258.5	205.9	100.4
Change in Grants & Contributions	45.7	48.4	0.0
Change in Capital Receipts	1.3	(24.3)	(34.8)
Change in Reserves	97.9	109.9	15.9
MRP Provision	(31.1)	(36.1)	(38.8)
Refinancing of maturing debt (GF)	196.0	7.7	3.1
Refinancing of maturing debt (HRA)	1.1	1.4	0.6
Estimated Borrowing Requirement	**569.4**	**312.9**	**46.4**
Funded by:			
GF	568.3	311.5	45.8
HRA	1.1	1.4	0.6

9 Borrowing Strategy

General Fund

9.1 Following the HRA debt settlement in 2012 the Council's debt position is one of significant internal borrowing meaning cash backed reserves and provisions are being used in lieu of external debt. The external debt held is predominantly long term in nature.

9.2 The proposed Capital Budget, submitted to Executive in February and Council in March, contains significant capital investment across the city. The scale of the investment suggests that the Council will need to undertake external borrowing in the future and will not be able on to rely on internal borrowing alone. Where possible, internal borrowing will remain the first option due to the interest savings generated.

9.3 To this aim, the Council's borrowing strategy will utilise the annual provision it is required to make to reduce debt, in the form of its Minimum Revenue Provision (MRP). If MRP is not used to reduce external debt it is held as cash so the most efficient arrangement is for MRP to be used to reduce the new long term debt expected to be required. This ensures that MRP is utilised and does not accumulate as cash on the Balance Sheet. Alternatively MRP could be used to repay existing debt but this would be at considerable cost in the current interest rate environment.

9.4 Beyond the forecast period for capital investment and matching to the same principles as above, a prudent strategy is to seek to borrow in the medium term with maturities to match the estimated MRP that is generated in the same period. This avoids an accumulation of cash on the Balance Sheet that would need to be invested at a potential net cost and investment risk to the Council.

9.5 The overall strategy is therefore for the Council to continue to use reserves and provisions to maximise internal borrowing whilst seeking to rebalance the portfolio with more medium term debt when there is a need to externally borrow. This must be done with a strong focus on achieving value for money on interest costs and balancing the risks to the overall debt portfolio.

HRA

9.6 The Council's proposed capital budget for 2020/21 and beyond does not contain any requirement for the HRA to borrow. It is expected that proposals will be brought forward that require funding via borrowing so it is likely the HRA will have a borrowing requirement in 2020/21. The level of borrowing affordable is restrained by the statutory requirement for the HRA Business Plan to avoid going into a deficit.

9.7 The impact of any required further long term borrowing on the Business Plan will be reviewed which will inform the borrowing options pursued. Any temporary borrowing required will be sought from the General Fund. This is discussed further in Appendix I.

9.8 Note, in the event that some of the current debt is required to be repaid, for example if one of the LOBO loans was called, the refinancing arrangements would need to be considered.

Borrowing Options

9.9 The overall forecast for the long term borrowing rates are to remain relatively stable in year 2021/22, increasing slightly over the next 3 years. In terms of the Council's borrowing strategy there are three options:

i. Internal borrowing
ii. Short to medium term borrowing
iii. Long term borrowing

Treasury Management will continue to monitor and manage the risk of each of the above borrowing options. At such time the Council will need to borrow, the debt market will be actively monitored and the borrowing strategy which delivers the optimum value for money will be chosen. The short-term advantage of internal and short-term borrowing will be weighed against the potential cost if long term borrowing is delayed.

9.10 New borrowing will be considered in the forms noted below. All options will be evaluated alongside their availability and which provides best value for money. The options below are not presented in a hierarchical order.

- **Public Works Loan Board (PWLB)**

In February 2020 Parliament reformed the statutory basis of the PWLB, transferring lending powers to HM Treasury. In March 2020 the government consulted on revising the PWLB's lending terms to reflect the new governance arrangements as well as to end the situation in which a minority of local authorities used PWLB loans to fund debt for yield activity via commercial investments. The government published its response to this consultation and implemented these reforms in November 2020.

Additional requirements to borrow from PWLB were introduced. Each local authority that wishes to borrow from the PWLB will need to submit a high-level description of their capital spending and financing plans for the following three years, including their expected use of the PWLB. Any investment assets bought primarily for yield will not be supported by PWLB.

Local Authorities will be asked to:

i. Categorise Capital Spending into: Service Spending, Housing, Regeneration, Preventative Action, Treasury Management, and Debt for Yield activity.
ii. Provide a short description covering at least 75% of the spending in each category.
iii. Provide assurance from the section 151 officer or equivalent that the local authority is not borrowing in advance of need and does not intend to buy investment assets primarily for yield.

PWLB borrowing is available between 1 and 50 year maturities on various bases. This offers a range of options for new borrowing which could spread debt maturities away from a concentration in longer dated debt and allow the Council to align maturities to MRP.

The Link forecast for the PWLB Certainty Rate is as follows:

Table 3	Mar 21	Jun 21	Sep 21	Dec 21	Mar 22	Mar 23	Mar 24
Bank Rate %	0.10	0.10	0.10	0.10	0.10	0.10	0.10
5 yr PWLB rate %	0.80	0.80	0.80	0.80	0.90	0.90	1.00
10 yr PWLB rate %	1.10	1.10	1.10	1.10	1.20	1.20	1.30
25 yr PWLB rate %	1.50	1.60	1.60	1.60	1.60	1.70	1.80
50 yr PWLB rate %	1.30	1.40	1.40	1.40	1.40	1.50	1.60

A more detailed Link forecast is included in Appendix G to this report.

- **European Investment Bank (EIB)**

Historically, the EIB rates for borrowing were generally favourable compared to PWLB although the margin of benefit has now reduced as a result of the U.K. withdrawing from the EU and the reversal of PWLB rates as described above. The Council still has access to EIB along with the option to forward fix rates for borrowing and this option will be considered if the conditions can be met and it offers better value for money.

The EIB appraises its funding plans against individual schemes, particularly around growth and employment and energy efficiency, and any monies borrowed are part of the Council's overall pooled borrowing.

- **Third Party Loans**

These are loans from third parties that are offered at lower than market rates, for example Salix Finance Ltd is offering loans to the public sector at 0% to be used specifically to improve their energy efficiency and reduce carbon emissions.

- **Inter-Local Authority advances**

Both short and medium term loans are often available in the inter Local Authority market.

- **Market Loans**

Following the reversal of the PWLB rates noted above, there has been a decrease in market activity relating to local authority debt as the debt pricing and structure offer less value for money compared to PWLB.

Market loans offer forward fixing which is not an option with PWLB, however as rates are forecast to remain relatively low over the next few years forward fixing brings marginal advantage.

- **Local Authority Bond Agency**

The UK Municipal Bonds Agency was established in June 2014 with the primary purpose of reducing local authority financing costs by:

- Issuing bonds in the capital markets and on-lending to councils.
- Lending between councils.
- Sourcing funding from 3rd party sources, and on-lending to councils.

The Agency's aim is to raise finance for Local Authorities by issuing municipal bonds to capital markets. At the time of writing the third bond issue for Warrington Council has been cancelled following the drop in PWLB rate as mentioned above. Only two other bonds of £350m and £250m for Lancashire County Council were issued. The Council will continue to monitor the Agency's development and whether it can offer a competitive option for future borrowing.

9.11 These types of borrowing will need to be evaluated alongside their availability, particularly whilst there is a very limited availability of traditional market loans. The traditional market loans available tend to be Lender Option Borrower Option (LOBO) loans and they are not currently offered at competitive rates of interest. LOBOs provide the lender with future options to increase the interest rate whilst the local authority has the option to repay if the increase in the rate is unacceptable to them.

9.12 Following HRA reform the vast majority of the Council's existing debt portfolio consists of LOBOs and the Authority needs to consider diversifying its loan book to reduce the impact of any volatility that may cause these loans to be called. It should be noted that the Council's current LOBO loans are unlikely to be called in the medium term at current interest rates.

Sensitivity of the forecast

9.13 In normal circumstances the main sensitivities are likely to be the two scenarios noted below. Council officers in conjunction with the treasury advisors will continually monitor the prevailing interest rates and the market forecast, adopting the following responses to a change of sentiment:

- **If it were felt that there was a significant risk of a sharp FALL in long and short term rates**, e.g. due to a marked increase of risks around relapse into recession or of risks of deflation then long term borrowings will be postponed.

- **If it were felt that there was a significant risk of a much sharper RISE in long and short term rates than that current forecast**, perhaps arising from a greater than expected increase in world economic activity or a sudden increase in inflation risks, the portfolio position will be re-appraised. The likely action will be that fixed rate funding will be drawn whilst interest rates remain relatively cheap.

External v. Internal borrowing

9.14 The current borrowing position reflects the historic strong Balance Sheet of the Council as highlighted in Section 6. The policy remains to keep cash as low as possible and minimise temporary investments.

9.15 The next financial year is again expected to be one of historically low Bank Rate. This provides a continuation of the opportunity for local authorities to review their strategy of undertaking new external borrowing. At Appendix F there is an in depth analysis of economic conditions provided by Link Asset Services, the Council's independent treasury advisors.

9.16 Over the next three years, investment rates are expected to be significantly below long term borrowing rates. This would indicate that value could best be obtained by limiting new external borrowing and by using internal cash balances to finance new capital expenditure or to replace maturing external debt.

9.17 This will be weighed against the potential for incurring additional long term costs by delaying new external borrowing until later years when longer term rates are forecast to be marginally higher. Consideration will also be given to forward fixing rates whilst rates are favourable.

9.18 Against this background caution will be adopted within 2021/22 treasury operations. The Deputy Chief Executive and City Treasurer will monitor the interest rate market and adopt a pragmatic approach to changing circumstances, reporting any decisions to the appropriate decision-making body at the next available opportunity.

Policy on borrowing in advance of need

9.19 From a statutory point of view a Local Authority has the power to invest for 'any purpose relevant to its functions under any enactment, or for the purposes of the prudent management of its financial affairs.' The MHCLG takes an informal view that local authorities should not borrow purely to invest at a profit. This does not prevent the Council temporarily investing funds borrowed for the purpose of expenditure in the reasonable near future.

9.20 This Council will not borrow in advance of need to on lend and profit from the difference in interest rate. Any decision to borrow in advance in support of strategic and service delivery objectives will be in the context of achieving the best overall value for money, for example to minimise the risk of borrowing costs increasing in the future and that the Council can ensure the security of such funds. In determining whether borrowing is undertaken in advance of need the Council will:

- ensure that there is a clear link between the capital programme and maturity profile of the existing debt profile which supports the need to take funding in advance of need;
- ensure the ongoing revenue liabilities created and implications for future plans and budget have been considered;
- evaluate the economic and market factors that might influence the manner and timing of any decision to borrow;
- consider the merits and demerits of alternative forms of funding;
- consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use; and
- consider the impact of borrowing in advance temporarily (until required to finance capital expenditure) increasing investment cash balances and the consequent increase in exposure to counterparty risk, and other risks, and the level of such risks given the controls in place to minimise them.

Forward Fixing

9.21 As noted above, the Council will give consideration to forward fixing debt, whereby the Council agrees to borrow at a point in the future at a rate based on current implied market interest rate forecasts. There is a risk that the interest rates proposed would be higher than current rates; however, it can be beneficial as it avoids the need to borrow in advance of need and suffer cost of carry. It may also represent a saving if rates were to rise in the future. Any decision to forward fix will be reviewed for value for money and will be reported to Members as part of the standard treasury management reporting.

Debt Rescheduling

9.22 It is likely that opportunities to reschedule debt in the 2021/22 financial year will be limited due to prevailing debt interest rates being relatively low.

9.23 As short term borrowing rates will be considerably cheaper than longer term rates, there may be some opportunity to generate savings by switching from long term debt to short term debt. These savings will need to be considered in the light of the premiums incurred and the likely cost of refinancing those short term loans once they mature compared to the current rates of longer term debt in the existing portfolio.

9.24 The debt portfolio following HRA reform consists mainly of LOBOs, and the premia for rescheduling these make it unlikely there will be a cost effective opportunity to reschedule. The premia relates to the future interest payments associated with the loan and compensation for the lender for the buy-back of the interest rate options the loan has embedded in it.

9.25 The Council will continue to monitor the LOBO market and opportunities to reschedule, redeem or alter the profile of existing LOBO debt. The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings;
- helping to fulfil the strategy outlined above in this section;
- enhancing the balance of the portfolio (amending the maturity profile and/or the balance of volatility)

9.26 Any restructuring of LOBOs will only be progressed if it provides value for money and reduces the overall treasury risk the Council faces. The Council's Constitution delegates to the Deputy Chief Executive and City Treasurer the authority to pursue any restructuring, rescheduling or redemption opportunities available.

9.27 Consideration will also be given to the potential for making savings by running down investment balances to repay debt prematurely. It is likely short term rates on investments will be lower than rates paid on current debt.

9.28 All rescheduling will be reported to the Executive as part of the normal treasury management activity. If rescheduling requires amendments to the Treasury Management Strategy the Deputy Chief Executive and City

Treasurer will be asked to approve them in accordance with the delegated powers accorded to the position and the changes will be reported to Members.

10 Annual Investment Strategy

HRA

10.1 In order to maintain efficient, effective and economic treasury management for the Council as a whole, the HRA will only be able to invest with the General Fund. This is discussed further in Appendix I.

General Fund

Introduction

10.2 The Council will have regard to the MHCLG's Guidance on Local Government Investments (the Guidance) and the 2011 and 2017 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes (the CIPFA TM Code). The Council's investment priorities are:

- The security of capital; and
- The liquidity of its investments.

10.3 The risk appetite of the Council is low in order to give priority to the security of its investments. The Council will aim to achieve the optimum return on its investments commensurate with desired levels of security and liquidity.

10.4 The borrowing of monies by an Authority purely to invest or on-lend and make a return is unlawful and this Council will not engage in such activity. However the Council may provide loan finance funded from borrowing if this supports the achievement of the Council's strategies and service objectives.

10.5 The Council's TMSS focusses solely on treasury management investments. The Council does not hold any commercial investments and details of strategic capital investments can be found in the Capital Strategy and Budget Report to the Executive.

Negative Investment Rates

10.6 In September 2020, the Bank of England said it is unlikely to introduce a negative Bank Rate in the next 6-12months, but recognises it as one of the tools available.

10.7 Negative rates have already been seen in the market specifically when placing cash with the Debt Management Office and the Money Market Funds. At the time of writing, the Treasury Management team managed to avoid investments with a negative rate of return.

10.8 Investing short term at a negative rate will remain to be the option of last resort. At such time this is no longer possible, alternative longer-term investments no greater than 364 days will be considered to ensure the delivery of value for money.

Investment Policy

10.9 The Council's investment policy is to manage the Council's cash flow through investments in high credit quality.

10.10 As in previous years, the Council will not just utilise ratings as the sole determinant of the quality of an institution. It is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. The Council will engage with its advisors to maintain a monitor on market pricing such as 'credit default swaps'[2] and overlay that information on top of the credit ratings.

10.11 Investment in banks and building societies are now exposed to bail-in risk following the introduction of the EU's Banking Recovery and Resolution Directive, which means depositor's funds over £85,000 are at risk of "bail-in" if the bank fails. In response to this, the Council adopted lower operational limits for such investments in 2016/17 and these remain.

10.12 The exception is the limit with Barclays bank; Barclays is the Council's main banker and is the investment destination of last resort for the close of daily trading. These revised limits are operational changes and to preserve flexibility should circumstances change the overall investment limits approved for banks and building societies for 2020/21 will be maintained in 2021/22.

10.13 In line with the policy adopted in this strategy in previous years, options to diversify the investment portfolio have been reviewed and adopted. The Council now actively uses money market funds alongside deposits with banks, other local authorities and the Debt Management Agency.

10.14 For 2021/22 the Council will continue to consider investing in Treasury Bills, Certificates of Deposit and Covered Bonds albeit at the time of writing the rates are not favourable. In addition to diversification each of these options offer the Council benefits which are noted in more detail below. These instruments require the Council to have specific custodian and broker facilities which have been opened. Officers are working to monitor these markets to prompt participation in the instruments when rates are favourable, and to identify and resolve any governance challenges arising from investing in instruments which have an active secondary market. Work is continuing to open further access points to markets and to identify opportunities for benefit which are new to the Council.

[2] A credit default swap is a financial instrument that effectively provides the holder insurance against a loan defaulting. The CDS spread is the difference between the price at which providers are willing to sell the swap, and the price at which buyers are willing to buy. A relatively high spread may suggest that the loan is more likely to default.

10.15 It should be noted that, whilst seeking to broaden the investment base officers will seek to limit the level of risk taken. It is not expected that the measures considered above will have a significant impact on the rates of return the Council currently achieves.

Specified and Non-Specified Investments

10.16 Investment instruments identified for use in the financial year are listed below and are all specified investments. Any proposals to use other non-specified investments will be reported to Members for approval.

10.17 Specified investments are sterling denominated, with maturities up to a maximum of one year and meet the minimum 'high' rating criteria where applicable. Further details about some of the specified investments below can be found in later paragraphs in this Section.

Table 4	**Minimum 'High' Credit Criteria**	**Use**
Term deposits – banks and building societies[3]	See Creditworthiness Policy.	In-house
Term deposits – other Local Authorities	High security. Only few local authorities credit-rated	In-house
Debt Management Agency Deposit Facility	UK Government backed	In-house
Certificates of deposit issued by banks and building societies covered by UK Government guarantees	UK Government explicit guarantee	In-house
Money Market Funds (MMFs)	AAA	In-house
Treasury Bills	UK Government backed	In-house
Covered Bonds	AAA	In-house

Creditworthiness Policy

10.18 The Council applies the creditworthiness service provided by Link Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies; Fitch, Moody's and Standard & Poor's. Link supplement the credit ratings of counterparties with the following overlays:

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[3] Banks & Building Societies

The Council will keep the investment balance below or at the maximum limit based on the institutions credit rating as detailed in paragraph 10.21-10.22. If this limit is breached, for example due to significant late receipts, the Deputy Chief Executive and City Treasurer will be notified as soon as possible after the breach, along with the reasons for it. Please note this relates to specific investments and not balances held within the Council's bank accounts, including the general bank account.

- credit watches and credit outlooks from credit rating agencies
- Credit Default Swap spreads to provide early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries

10.19 The above are combined in a weighted scoring system which is then combined with an overlay of CDS spreads. The end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties.

10.20 The Council has regard to Link's approach to assessing creditworthiness when selecting counterparties as it uses a wider array of information than just primary ratings and by using a risk weighted scoring system does not give undue prominence to just one agency's ratings.

10.21 In summary the Council will approach assessment of creditworthiness by using the Link counterparty list and then applying its own counterparty limits and durations. All credit ratings will be monitored on a daily basis and re-assessed weekly. The Council is alerted to changes to ratings of all three agencies through its use of the Link creditworthiness service.

- if a downgrade results in the counterparty/investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
- in addition to the use of Credit Ratings, the Council will be advised of information in Credit Default Swap against the iTraxx benchmark[4] and other market data on a weekly basis. Extreme market movements may result in the downgrade of an institution or removal from the Council's lending list.

10.22 Sole reliance will not be placed on the use of this external service. In addition the Council will also use market data and market information, information on government support for banks and the credit ratings of that government support.

Investment Limits

10.23 In applying the creditworthiness policy the Council holds the security of investments as the key consideration and will only seek to make treasury investments with counterparties of high credit quality.

10.24 The financial investment limits of financial institutions will be linked to their short and long-term ratings (Fitch or equivalent) as follows:

[4] The Markit iTraxx Senior Financials Index is a composite of the 25 most liquid financial entities in Europe. The index is calculated through an averaging process by the Markit Group and is used as the benchmark level of CDS spreads on Link Asset Services' Credit List.

Long Term	Amount
Fitch AA+ and above	£20 million
Fitch AA/AA-	£15 million
Fitch A+/A	£15 million
Fitch A-	£10 million
Fitch BBB+	£10 million

The Council will only utilise those institutions that have a short term rating of F2 or higher, (Fitch or equivalent).

UK Government (including the Debt Management Office)	£200 million
Greater Manchester Combined Authority	£200 million
Other Local Authorities	£20 million

10.25 In seeking to diversify the Council will utilise other investment types which are described in more detail below and ensure that the investment portfolio is mixed to help mitigate credit risk. The following limits will apply to each asset type:

Total Deposit	**Amount**
Local Authorities	£250 million
UK Government - Debt Management Office - Treasury Bills	£200 million
Money Market Funds	£75 million
Certificates of Deposit	£25 million
Covered Bonds	£25 million

10.26 It may be prudent to temporarily increase the limits shown above, as in the current economic environment it is increasingly difficult for officers to place funds. If this is the case officers will seek approval from the Deputy Chief Executive and City Treasurer and any increase in the limits will be reported to Members through the normal treasury management reporting process.

Durational Limits

10.27 Operationally the Council has in recent years not invested cash for more than three months, which was a product of security concerns following the financial crisis of 2008/09 and the relatively volatile nature of the Council's cash flow.

10.28 The financial markets have changed significantly since 2008/09, and the transparency of creditworthiness has improved. It is therefore proposed that the Council formally states, as part of the Investment Strategy, that it will invest for up to 364 days provided that such investments form part of the management of the cash flow and not for increased yield. On this basis, such investments will only be made if the cash flow forecast at the time indicates a level of "core" cash which will not be required for the investment period.

10.29 As noted in the latest Treasury Management Interim Report 2020/21, negative rates are already being seen in the markets. At such time these negative rates will impact the Council's short-term investments, alternative longer-term deposits will be necessary in order to protect the overall value for money.

Money Market Funds

10.30 The removal of the implied levels of sovereign support that were built into ratings throughout the financial crisis has impacted on bank and building society ratings across the world. Rating downgrades can limit the number of counterparties available and to provide flexibility the Council will use MMFs when appropriate as an alternative specified investment.

10.31 MMFs are investment instruments that invest in a variety of institutions therefore diversifying the investment risk. The funds are managed by a fund manager and have objectives to preserve capital, provide daily liquidity and a competitive yield. The majority of money market funds invest both inside and outside the UK. MMFs also provide flexibility as investments and withdrawals can be made on a daily basis.

10.32 MMFs are rated through a separate process to bank deposits. This looks at the average maturity of the underlying investments in the Fund as well as the credit quality of those investments. The Council will only use MMFs where the institutions hold the highest AAA credit rating and those which are UK or European based.

10.33 As with all investments there is some risk with MMFs in terms of the capital value of the investment. European legislation has required existing and new Constant Net Asset Value MMFs to convert to a Low Volatility Net Asset Value (LVNAV) basis by January 2019. This basis allows movements in capital value, but there is a restriction that the deviation cannot be more than 20 basis points, e.g. on a deposit of £100 the Fund must ensure withdrawal proceeds are no greater than +/- 20p.

10.34 There is ever growing pressure the MMFs will generate negative returns. Partly because the markets are oversaturated with cash and partly because there is a lack of demand for cash as a result of uncertainties around how the world economies will continue to deal with the COVID-19 Pandemic as well as how the economies will manage post the end of the transition period. At the time of writing this report, negative rates have already been seen in MMFs, however Treasury Management has agreed with fund managers to waive administration fees for as long as possible in order to maintain a positive return. At such time, the waiving of fees is not possible alternative longer-term investments will be chosen.

Treasury Bills

10.35 Treasury Bills are marketable securities issued by the UK Government and counterparty and liquidity risk is relatively low although there is potential risk to value arising from an adverse movement in interest rates unless they are held to maturity.

10.36 At the time of writing this report, Treasury Bills were yielding a negative return. Efforts to use Treasury Bills have been put on hold until the securities are once again yielding a higher than market average return.

Certificates of Deposit

10.37 Certificates of Deposit are short dated marketable securities issued by financial institutions so the counterparty risk is low. The instruments have flexible maturity dates so it is possible to trade them in early although there is a potential risk to capital if they are traded ahead of maturity and there is an adverse movement in interest rates. Certificates of Deposit are subject to bail-in risk as they are given the same priority as fixed deposits if a bank was to default. The Council will only deal with Certificates of Deposit that are issued by banks and meet the credit criteria.

Covered Bonds

10.38 Covered Bonds are debt instruments secured by assets such as mortgage loans. They are issued by banks and other non-financial institutions. The loans remain on the issuing institutions' Balance Sheet and investors have a preferential claim in the event of the issuing institution defaulting. All issuing institutions are required to hold sufficient assets to cover the claims of all covered bondholders. The Council would only deal with bonds that are issued by banks which meet the credit criteria, or AAA rated institutions, (e.g. insurance companies).

Liquidity

10.39 Based on cash flow forecasts, the level of cash balances in 2021/22 is estimated to range between £0m and £230m. The higher level can arise where for instance large Government grants are received or long term borrowing has recently been undertaken.

Investment Strategy to be followed in-house

10.40 Link's view of the forecast Bank Rate is noted at Section 9. The current economic
outlook is that the structure of market interest rates and government debt yields have several key treasury management implications.

10.41 At the time of writing this report a trade deal has been agreed between the UK and the EU. Following the COVID-19 Pandemic, the Bank Rate is forecast to remain constant over the next few years. Link's view is that the Bank Rate will remain at 0.10% by March 2021. This suggests that investment returns are likely to remain low during 2021/22, and beyond given the global economic outlook.

10.42 There will remain a cost of carry to any new borrowing which causes an increase in investments as this will incur a revenue loss between borrowing costs and investment returns.

10.43 The Council will avoid locking into longer term deals while investment rates are at historically low levels unless attractive rates are available with counterparties of particularly high creditworthiness which make longer term deals worthwhile and within the risk parameters set by the Council.

10.44 For 2021/22 it is suggested the Council should target an investment return of 0% to 0.05% on investments placed during the financial year. For cash flow generated balances the Council will seek to utilise its business reserve accounts and short-dated deposits (overnight to six months) in order to benefit from the compounding of interest.

10.45 The Bank of England and the Financial Conduct Authority (FCA) are committed to phasing out LIBOR before the end of 2021. To date the Council has used LIBOR as a benchmark rate for investments and temporary borrowing. The Bank of England formed the Risk Free Rate Working Group which recommended a reformed Sterling Overnight Index Average (SONIA) as the alternative unsecured risk - free rate for the Pound Sterling (GBP) LIBOR Market. SONIA is based on actual transactions and reflects the average of the interest rates that banks pay to borrow sterling overnight from other financial institutions and other investors. Treasury Management will therefore adopt the use of SONIA as a benchmark rate moving forward.

10.46 The SONIA rate will also be applied to any transfer rates between the General Fund and the HRA, further details are outlined in Appendix I. Treasury Management will apply mitigating changes to the transfer rates if the benchmark rates were to go into negative territory.

End of year Investment Report

10.47 At the end of the financial year, the Council will receive a report on investment activity as part of the Annual Treasury Management Report.

Policy on the use of External Service Providers

10.48 The Council uses Link Asset Services as external treasury management advisors and has access to another provider who is an approved supplier should a second opinion or additional work be required. The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon its external service providers.

10.49 The Council recognises there is value in employing external providers of treasury management services to acquire access to specialist skills and resources. It will ensure the terms of the Advisor’s appointment and the methods by which their value is assessed are properly agreed and documented, and subjected to regular review.

11 Scheme of Delegation

11.1 Appendix D describes the responsibilities of Member groups and officers in relation to treasury management.

12 Role of the Section 151 Officer

12.1 Appendix E notes the definition of the role of the Deputy Chief Executive and City Treasurer in relation to treasury management.

13 Minimum Revenue Provision (MRP) Strategy

13.1 Appendix B contains the Council's policy for spreading capital expenditure charges to revenue through the annual MRP charge.

14 Recommendations

14.1 Please see the start of the report for the list of recommendations.

15 Contributing to a Zero-Carbon City

15.1 Treasury Management activity underpins the Council's finances, and therefore supports projects and initiatives which seek to achieve the Council's zero carbon target.

16 Contributing to the Our Manchester Strategy

16.1 The Treasury Management function supports the whole Council by seeking to ensure that funding is available when required, to fund all of the work that the Council undertakes. Therefore, whilst not directly contributing to the strategic aims, the Council's treasury management activity underpins the work taking place elsewhere to achieve the outcomes.

17 Key Policies and Considerations

(a) Equal Opportunities

17.1 None.

(b) Risk Management

17.2 CIPFA's Prudential and Treasury Management Codes provide the risk management framework within which the treasury management activities of the Council operate. The Strategy should be seen as the Council's approach to this framework.

(c) Legal Considerations

17.3 None.

Appendix A
Prudential and Treasury Indicators for approval

Please note last years approved figures are shown in brackets.

Treasury Management Indicators	2021-22		2022-23		2023-24
	%		%		%
Estimated Financing Costs to Net Revenue Stream[5]	6.2%		6.4%		6.2%
	£m		£m		£m
Authorised Limit - external debt					
Borrowing	1,711.6	(1,384.5)	1,737.3	(1,396.2)	1,737.3
Other long term liabilities	190.0	(190.0)	190.0	(190.0)	190.0
TOTAL	1,901.6	(1,574.5)	1,927.3	(1,586.2)	1,927.3
Operational Boundary - external debt					
Borrowing	1,350.3	(1,006.2)	1,591.5	(1,176.9)	1,626.3
Other long term liabilities	190.0	(190)	190.0	(190.0)	190.0
TOTAL	1,540.3	(1,196.2)	1,781.5	(1,366.9)	1,816.3
Estimated external debt	1,142.4	(792.8)	1,454.3	(1,016.4)	1,501.8
Upper limit for total principal sums invested for over 364 days	0	(0)	0	(0)	0
Estimated Capital Expenditure					
Non - HRA	439.4	(339.6)	286.3	(260.2)	131.9
HRA	40.2	(38.8)	45.5	(28.6)	3.2
TOTAL	479.6	(378.4)	331.8	(288.8)	135.1
Estimated Capital Financing Requirement (as at 31 March)					
Non – HRA	1,626.3	(1,543.1)	1,792.1	(1,706.5)	1,849.6
HRA	300.0	(299.2)	301.0	(300.0)	301.8
TOTAL	1,926.3	(1,842.3)	2,093.1	(2,006.5)	2,151.4

[5] Note that for 2021-22 onward these are based on estimated net revenue budgets.

Maturity structure of borrowing during 2021-22	Upper Limit		Lower limit	
under 12 months	80%	(80%)	0%	(0%)
12 months and within 24 months	80%	(70%)	0%	(0%)
24 months and within 5 years	70%	(60%)	0%	(0%)
5 years and within 10 years	70%	(50%)	0%	(0%)
10 years and above	90%	(80%)	20%	(40%)
Has the Authority adopted the CIPFA Treasury Management Code?				Yes

The status of the indicators will be included in Treasury Management reporting during 2021/22. They will also be included in the Council's Capital Budget monitoring reports during 2021/22.

Definitions and Purpose of the Treasury Management Indicators noted above (Indicators are as recommended by the CIPFA Prudential Code last revised in 2017)

Estimated Financing Costs to Net Revenue Stream

The authority will set for the forthcoming year and the following financial years an estimate of financing costs to net revenue stream. The indicator recognises that ultimately all debts of a local authority fall on the taxpayer, and that therefore when considering affordability it is important to review the scale of financing costs to net revenue.

Estimated Capital Expenditure

The authority sets a capital budget for each financial year, which includes an estimate of the capital expenditure which might be incurred. The figures here also include changes to other long term liabilities.

Estimates Capital Financing Requirement

The capital financing requirement reflects the authority's underlying need to finance capital expenditure, and is based on all capital expenditure including that incurred in previous years.

Authorised Limit - external debt

The local authority will set for the forthcoming financial year and the following two financial years an authorised limit for its total external debt, excluding investments, separately identifying borrowing from other long-term liabilities. Other long term liabilities include PFI's, service concessions and finance leases. Due to the introduction of IFRS16 (Leasing) on the 1st of April 2020, more of the Council's lessee leases will be classed as finance leases and will therefore fall under the categorisation, therefore the value has increased from previous years. Work is underway to determine the value of this change in accounting standards, but £20.0m has been added to the indicator at this stage, and will be reviewed once this work is complete. This prudential indicator is referred to as the Authorised Limit.

Operational Boundary - external debt

The local authority will also set for the forthcoming financial year and the following two financial years an operational boundary for its total external debt, excluding investments, separately identifying borrowing from other long-term liabilities. This prudential indicator is referred to as the Operational Boundary.

Both the Authorised Limit and the Operational Boundary need to be consistent with the authority's plans for capital expenditure and financing; and with its treasury management policy statement and practices. The Operational Boundary should be based on the authority's estimate of most likely, i.e. prudent, but not worst case scenario. Risk analysis and risk management strategies should be taken into account.

The Operational Boundary should equate to the maximum level of external debt projected by this estimate. Thus, the Operational Boundary links directly to the Authority's plans for capital expenditure; its estimates of capital financing requirement; and its estimate of cash flow requirements for the year for all purposes. The Operational Boundary is a key management tool for in-year monitoring.

It will probably not be significant if the Operational Boundary is breached temporarily on occasions due to variations in cash flow. However, a sustained or regular trend above the Operational Boundary would be significant and should lead to further investigation and action as appropriate. Thus, both the Operational Boundary and the Authorised Limit will be based on the authority's plans. The authority will need to assure itself that these plans are affordable and prudent. The Authorised Limit will in addition need to provide headroom over and above the Operational Boundary sufficient for example for unusual cash movements.

Estimated external debt

After the year end, the closing balance for actual gross borrowing plus (separately), other long-term liabilities is obtained directly from the local authority's Balance Sheet.

The prudential indicator for Estimated External Debt considers a single point in time and hence is only directly comparable to the Authorised Limit and Operational Boundary at that point in time. Actual external debt during the year can be compared.

Upper limit for total principal sums invested for over 364 days

The authority will set an upper limit for each forward financial year period for the maturing of investments made for a period longer than 364 days. This indicator is referred to as the prudential limit for Principal Sums Invested for periods longer than 364 days.

The purpose of this indicator is so the authority can contain its exposure to the possibility of loss that might arise as a result of its having to seek early repayment or redemption of principal sums invested.

Maturity structure of new borrowing

The authority will set for the forthcoming financial year both upper and lower limits with respect to the maturity structure of its borrowing. These indicators are referred to as the Upper and Lower limits respectively for the Maturity Structure of Borrowing.

Local Prudential Indicators

The Council has not yet introduced Local Prudential Indicators to reflect local circumstances, but will review on a regular basis the need for these in the future.

Appendix B

Minimum Revenue Provision Strategy

The Council implemented the new Minimum Revenue Provision (MRP) guidance in 2011/12 and has assessed its MRP for 2021/22 in accordance with the main recommendations contained within the guidance issued by the Secretary of State under section 21(1A) of the Local Government Act 2003.

The Council is required to make provision for repayment of an element of the accumulated General Fund capital spend each year through a revenue charge (the Minimum Revenue Provision - MRP).

MHCLG Regulations require full Council to approve an MRP Statement, in advance of each year. If the Council wishes to amend its policy during the year this would need to be approved by full Council. A variety of options are available to councils to replace the previous Regulations, so long as there is a prudent provision. The options are:

- ***Option 1:*** Regulatory Method – can only be applied to capital expenditure incurred prior to April 2008 or Supported Capital Expenditure. This is calculated as 4% of the non-housing CFR at the end of the preceding financial year, less some transitional factors relating to the movement to the new Prudential Code in 2003.

- ***Option 2:*** CFR Method – a provision equal to 4% of the non-housing CFR at the end of the preceding financial year.

- ***Option 3:*** Asset Life Method – MRP is calculated based on the life of the asset, on either an equal instalment or an annuity basis.

- ***Option 4:*** Depreciation Method – MRP is calculated in accordance with the depreciation accounting required for the asset.

Options 1 and 2 may be used only for supported expenditure, which is capital expenditure for which the Council has been notified by Government that the costs of that expenditure will be taken into account in the calculation of Government funding due to the Council.

It is important to note that the Council can deviate from these options provided that the approach taken ensures that there is a prudent provision. The Council has historically followed option 1 for supported expenditure based on the level of support provided by Government through Revenue Support Grant (RSG).

The assets created or acquired under Supported Capital Expenditure predominantly had long asset lives of c. 50 years, such as land or buildings, and an MRP of 4% suggests a significantly shorter asset life. As the level of notional RSG the Council receives has reduced in recent years, it was considered prudent to review the approach to MRP on supported borrowing to reflect the Government support received.

It was therefore agreed that from 2017/18 a provision of 2% of the non-housing CFR as at the end of the preceding financial year is to be made. This is in line with many other local authorities who have reviewed the basis for their MRP and have applied similarly revised policies.

It is the Council's policy that MRP relating to an asset will start to be incurred in the year after the capital expenditure on the asset is incurred or, in the case of new assets, in the year following the asset coming into use, in accordance with MHCLG's guidance.

The Council recognises that there are different categories of capital expenditure, for which it will incur MRP as follows:

- For non HRA Supported Capital Expenditure: MRP policy will be charged at a rate of 2% on a similar basis to option 1 of the guidance (the regulatory method) but at a lower rate, better reflecting the asset lives of the assets funded through Supported Borrowing.

- For non HRA unsupported capital expenditure incurred the MRP policy will be:
    - Asset Life Method – MRP will be based on a straight line basis or annuity method so linking the MRP to the future flow of benefits from the asset, dependant on the nature of the capital expenditure, in accordance with option 3 of the guidance.

    - If the expenditure is capital by virtue of a Ministerial direction, has been capitalised under a Capitalisation Directive, or does not create a council asset, MRP will be provided in accordance with option 3 of the guidance with asset lives calculated as per the table below:

Expenditure type	**Maximum period over which MRP to be made**
Expenditure capitalised by virtue of a direction under s16 (2) (b).	20 years.
Regulation 25(1) (a). Expenditure on computer programs.	Same period as for computer hardware.
Regulation 25(1) (b). Loans and grants towards capital expenditure by third parties.	The estimated life of the assets in relation to which the third party expenditure is incurred.
Regulation 25(1) (c). Repayment of grants and loans for capital expenditure.	25 years or the period of the loan if longer.
Regulation 25(1) (d). Acquisition of share or loan capital.	20 years, or the estimated life of the asset acquired.
Regulation 25(1) (e). Expenditure on works to assets not owned by the authority.	The estimated life of the assets.
Regulation 25(1) (ea). Expenditure on assets for use by others.	The estimated life of the assets.

Regulation 25(1) (f). Payment of levy on Large Scale Voluntary Transfers (LSVTs) of dwellings.	25 years.

- For PFI service concessions and some lessee interests: Following the move to International Accounting Standards arrangements under private finance initiatives (PFIs) service concessions and some lessee interests (including embedded leases) are accounted for on the Council's Balance Sheet, and with the introduction of IFRS16 (Leasing) from the 1st of April 2021 more lessee leases will be classified in a similar way. Where this occurs, a part of the contract charge or rent payable will be taken to reduce the Balance Sheet liability rather than being charged as revenue expenditure. The MRP element of these schemes will be the amount of contract charge or rental payment charged against the Balance Sheet liability. This approach will produce an MRP charge comparable to that under option 3 in that it will run over the life of the lease or PFI scheme.

In some exceptional cases, the Council will deviate from the policy laid out above provided such exceptions remain prudent. Any exceptions are listed below:

- Where capital expenditure is incurred through providing loans to organisations, and where those loans are indemnified or have financial guarantees protecting against loss from a third party of high credit quality, no MRP will be charged in relation to the capital expenditure. Similarly, loans given by the Council where any losses incurred on the investment will impact solely on a third party, such as those provided under the City Deal arrangement with the HCA, will not require an MRP charge.

Appendix C

Treasury Management Policy Statement

1. This organisation defines its treasury management activities as:
   The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

2. This organisation regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

3. This organisation acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

The Council will invest its monies prudently, considering security first, liquidity second, and yield last, carefully considering its investment counterparties. It will similarly borrow monies prudently and consistent with the Council's service objectives.

<u>Appendix D</u>

Treasury Management Scheme of Delegation

i **Full Council**

- receiving and reviewing reports on treasury management policies, practices and activities
- approval of annual strategy

ii **Responsible body – Audit Committee**

- approval of/amendments to the organisation’s adopted clauses, treasury management policy statement and treasury management practices
- budget consideration and approval
- approval of the division of responsibilities
- receiving and reviewing regular monitoring reports and acting on recommendations
- approving the selection of external service providers and agreeing terms of appointment

iii **Body with responsibility for scrutiny -** Resource and Governance Scrutiny Committee

- reviewing the treasury management policy and procedures and making recommendations to the responsible body

iv **Deputy Chief Executive and City Treasurer**

- delivery of the function

Appendix E

The Treasury Management role of the Section 151 Officer

The S151 (responsible) Officer

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance
- submitting regular treasury management policy reports
- submitting budgets and budget variations
- receiving and reviewing management information reports
- reviewing the performance of the treasury management function
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
- ensuring the adequacy of internal audit, and liaising with external audit
- recommending the appointment of external service providers

The points noted above reflect the specific responsibilities of the S151 Officer prior to the 2017 CIPFA Treasury Management Code revisions. The CIPFA Prudential Code revision which followed the MHCLG revised guidance on local government investments represents a major extension of the functions of the S151 Officer role, especially in respect of non-financial investments which CIPFA define as being part of treasury management.

The additional functions of the S151 Officer role are:

- preparation of a capital strategy with a long term timeframe to include capital expenditure, capital financing, non-financial investments and treasury management
- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority
- ensuring that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees
- ensuring that members are adequately informed and understand the risk exposures taken on by an authority
- ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above
- creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed, to include the following:

- Risk management including investment and risk management criteria for any material non-treasury investment portfolios;
- Performance measurement and management including methodology and criteria for assessing the performance and success of non-treasury investments;
- Decision making, governance and organisation including a statement of the governance requirements for decision making in relation to non-treasury investments; and arrangements to ensure that appropriate professional due diligence is carried out to support decision making;
- Reporting and management information including where and how often monitoring reports are taken;
- Training and qualifications including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.

Appendix F

Economic Background December 2020 – Link Asset Services

This section has been prepared by the Council's Treasury Advisors, Link Asset Services, for the Treasury Management Strategy Statement 2021/22.

- **UK.** The key quarterly meeting of the Bank of England Monetary Policy Committee kept **Bank Rate** unchanged on 5.11.20. However, it revised its economic forecasts to take account of a second national lockdown from 5.11.20 to 2.12.20 which is obviously going to put back economic recovery and do further damage to the economy. It therefore decided to do a further tranche of **quantitative easing (QE) of £150bn**, to start in January when the current programme of £300bn of QE, announced in March to June, runs out. It did this so that "announcing further asset purchases now should support the economy and help to ensure the unavoidable near-term slowdown in activity was not amplified by a tightening in monetary conditions that could slow the return of inflation to the target".
- Its forecasts appeared, at that time, to be rather optimistic in terms of three areas:
  - The economy would recover to reach its pre-pandemic level in Q1 2022
  - The Bank also expected there to be excess demand in the economy by Q4 2022.
  - CPI inflation was therefore projected to be a bit above its 2% target by the start of 2023 and the "inflation risks were judged to be balanced".
- Significantly, there was no mention of **negative interest rates** in the minutes or Monetary Policy Report, suggesting that the MPC remains some way from being persuaded of the case for such a policy, at least for the next 6 -12 months. However, rather than saying that it "stands ready to adjust monetary policy", the MPC this time said that it will take "whatever additional action was necessary to achieve its remit". The latter seems stronger and wider and may indicate the Bank's willingness to embrace new tools.
- One key addition to **the Bank's forward guidance in August** was a new phrase in the policy statement, namely that "it does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and achieving the 2% target sustainably". That seems designed to say, in effect, that even if inflation rises to 2% in a couple of years' time, do not expect any action from the MPC to raise Bank Rate – until they can clearly see that level of inflation is going to be persistently above target if it takes no action to raise Bank Rate. Our Bank Rate forecast currently shows no increase, (or decrease), through to quarter 1 2024 but there could well be no increase during the next five years as it will take some years to eliminate spare capacity in the economy, and therefore for inflationary pressures to rise to cause the MPC concern. **Inflation** is expected to briefly peak at just over 2% towards the end of 2021, but this is a temporary short lived factor and so not a concern.
- However, the minutes did contain several references to **downside risks**. The MPC reiterated that the "recovery would take time, and the risks around the GDP projection were judged to be skewed to the downside". It also said "the risk of a

more persistent period of elevated unemployment remained material". Downside risks could well include severe restrictions remaining in place in some form during the rest of December and most of January too. **Upside risks** included the early roll out of effective vaccines.

- **COVID-19 vaccines.** We had been waiting expectantly for news that various COVID-19 vaccines would be cleared as being safe and effective for administering to the general public. The Pfizer announcement on 9th November was very encouraging as its 90% effectiveness was much higher than the 50-60% rate of effectiveness of flu vaccines which might otherwise have been expected. However, this vaccine has demanding cold storage requirements of minus 70c that impairs the speed of application to the general population. It has therefore been particularly welcome that the Oxford University/AstraZeneca vaccine has now also been approved which is much cheaper and only requires fridge temperatures for storage. The Government has 60m doses on order and is aiming to vaccinate at a rate of 2m people per week starting in January, though this rate is currently restricted by a bottleneck on vaccine production; (a new UK production facility is due to be completed in June).

- These announcements, plus expected further announcements that other vaccines could be approved soon, have enormously boosted confidence that **life could largely return to normal during the second half of 2021**, with activity in the still-depressed sectors like restaurants, travel and hotels returning to their pre-pandemic levels; this would help to bring the unemployment rate down. With the household saving rate having been exceptionally high since the first lockdown in March, there is plenty of pent-up demand and purchasing power stored up for these services. A comprehensive roll-out of vaccines might take into late 2021 to fully complete; but if these vaccines prove to be highly effective, then there is a possibility that restrictions could start to be eased, beginning possibly in Q2 2021 once vulnerable people and front-line workers have been vaccinated. At that point, there would be less reason to fear that hospitals could become overwhelmed any more. Effective vaccines would radically improve the economic outlook once they have been widely administered; it may allow GDP to rise to its pre-virus level a year earlier than otherwise and mean that the unemployment rate peaks at 7% in 2021 instead of 9%.

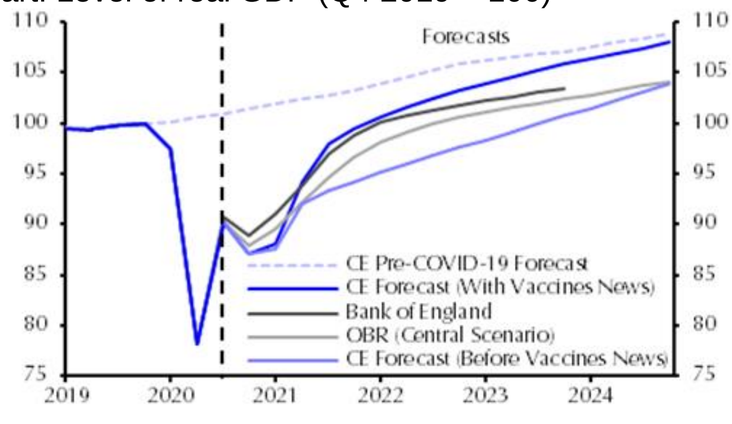
- **Public borrowing** was forecast in November by the Office for Budget Responsibility (the OBR) to reach £394bn in the current financial year, the highest ever peace time deficit and equivalent to 19% of GDP. In normal times, such an increase in total gilt issuance would lead to a rise in gilt yields, and so PWLB rates. However, the QE done by the Bank of England has depressed gilt yields to historic low levels, (as has similarly occurred with QE and debt issued in the US, the EU and Japan). This means that new UK debt being issued, and this is being done across the whole yield curve in all maturities, is locking in those historic low levels through until maturity. In addition, the UK has one of the longest average maturities for its entire debt portfolio, of any country in the world. Overall, this means that the total interest bill paid by the Government is manageable despite the huge increase in the total amount of debt. The OBR was also forecasting that the government will still be running a budget deficit of £102bn (3.9% of GDP) by

2025/26. However, initial impressions are that they have taken a pessimistic view of the impact that vaccines could make in the speed of economic recovery.

- Overall, **the pace of recovery** was not expected to be in the form of a rapid V shape, but a more elongated and prolonged one. The initial recovery was sharp after quarter 1 saw growth at -3.0% followed by -18.8% in quarter 2 and then an upswing of +16.0% in quarter 3; this still left the economy 8.6% smaller than in Q4 2019. It is likely that the one month national lockdown that started on 5th November, will have caused a further contraction of 8% m/m in November so the economy may have then been 14% below its pre-crisis level.

- **December 2020 / January 2021**. Since then, there has been rapid back-tracking on easing restrictions due to the spread of a new mutation of the virus, and severe restrictions were imposed across all four nations. These restrictions were changed on 5.1.21 to national lockdowns of various initial lengths in each of the four nations as the NHS was under extreme pressure. It is now likely that wide swathes of the UK will remain under these new restrictions for some months; this means that the near-term outlook for the economy is grim. However, the distribution of vaccines and the expected consequent removal of COVID-19 restrictions, should allow GDP to rebound rapidly in the second half of 2021 so that the economy could climb back to its pre-pandemic peak as soon as late in 2022. Provided that both monetary and fiscal policy are kept loose for a few years yet, then it is still possible that in the second half of this decade, the economy may be no smaller than it would have been if COVID-19 never happened. The significant caveat is if another mutation of COVID-19 appears that defeats the current batch of vaccines. However, now that science and technology have caught up with understanding this virus, new vaccines ought to be able to be developed more quickly to counter such a development and vaccine production facilities are being ramped up around the world.

Chart: Level of real GDP (Q4 2019 = 100)



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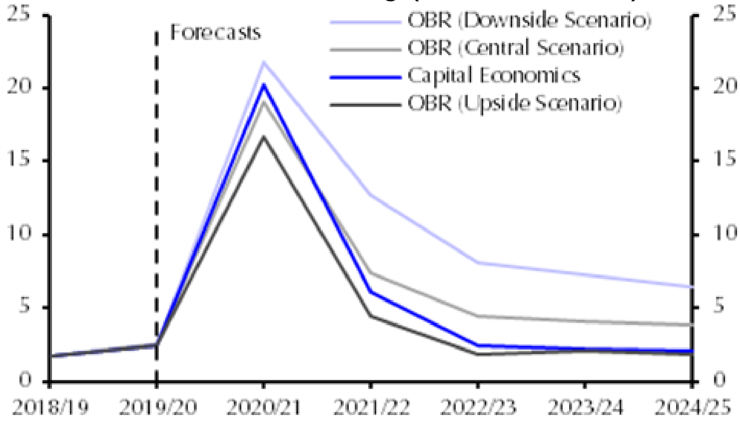
This recovery of growth which eliminates the effects of the pandemic by about the middle of the decade would have major repercussions for public finances as it would be consistent with the government deficit falling to around 2.5% of GDP without any tax increases. This would be in line with the OBR's most optimistic forecast in the graph below, rather than their current central scenario which predicts a 4% deficit due to assuming much slower growth. However, Capital Economics forecasts assumed that there is a reasonable Brexit deal and also that politicians do not raise taxes or embark on major austerity measures and so, (perversely!), depress economic growth and recovery.

Chart: Public Sector Net Borrowing (as a % of GDP)



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- There will still be some **painful longer term adjustments** as e.g. office space and travel by planes, trains and buses may not recover to their previous level of use for several years, or possibly ever, even if vaccines are fully successful in overcoming the current virus. There is also likely to be a reversal of globalisation as this crisis has exposed how vulnerable long-distance supply chains are. On the other hand, digital services are one area that has already seen huge growth.

- **Brexit.** While the UK has been gripped by the long running saga of whether or not a deal would be made by 31.12.20, the final agreement on 24.12.20, followed by ratification by Parliament and all 27 EU countries in the following week, has eliminated a significant downside risk for the UK economy. The initial agreement only covers trade so there is further work to be done on the services sector where temporary equivalence has been granted in both directions between the UK and EU; that now needs to be formalised on a permanent basis. As the forecasts in this report were based on an assumption of a Brexit agreement being reached, there is no need to amend these forecasts.

- **Monetary Policy Committee meeting of 17 December.** All nine Committee members voted to keep interest rates on hold at +0.10% and the Quantitative Easing (QE) target at £895bn. The MPC commented that the successful rollout of vaccines had reduced the downsides risks to the economy that it had highlighted in November. But this was caveated by it saying, “Although all members agreed that this would reduce downside risks, they placed different weights on the degree to which this was also expected to lead to stronger GDP growth in the central case.” So, while the vaccine is a positive development, in the eyes of the MPC at least, the economy is far from out of the woods. As a result of these continued concerns, the MPC voted to extend the availability of the Term Funding Scheme, (cheap borrowing), with additional incentives for small and medium size enterprises for six months from 30.4.21 until 31.10.21. (The MPC had assumed that a Brexit deal would be agreed.)

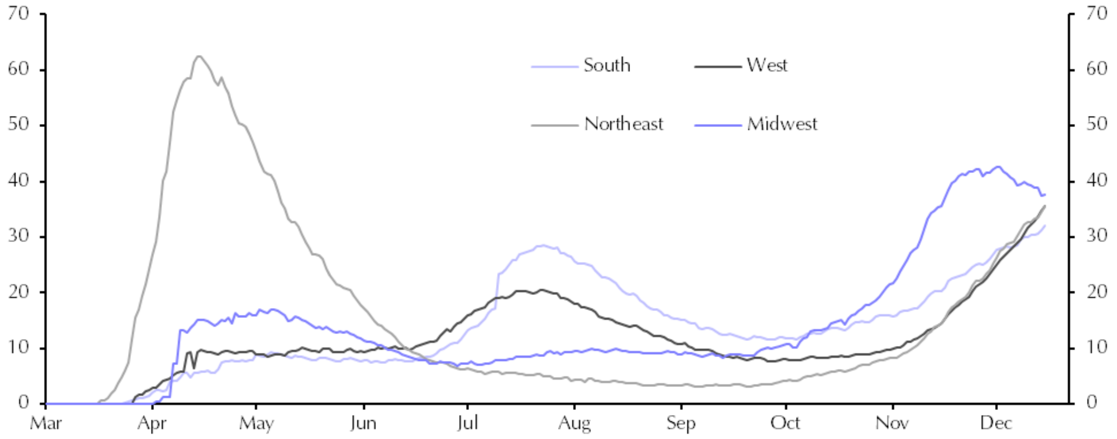
- **Fiscal policy.** In the same week as the MPC meeting, the Chancellor made a series of announcements to provide further support to the economy: -
  - An extension of the COVID-19 loan schemes from the end of January 2021 to the end of March.
  - The furlough scheme was lengthened from the end of March to the end of April.
  - The Budget on 3.3.21 will lay out the "next phase of the plan to tackle the virus and protect jobs". This does not sound like tax rises are imminent, (which could hold back the speed of economic recovery).

- The **Financial Policy Committee** (FPC) report on 6.8.20 revised down their expected credit losses for the banking sector to "somewhat less than £80bn". It stated that in its assessment, "banks have buffers of capital more than sufficient to absorb the losses that are likely to arise under the MPC's central projection". The FPC stated that for real stress in the sector, the economic output would need to be twice as bad as the MPC's projection, with unemployment rising to above 15%.

- **US.** The result of **the November elections** meant that while the Democrats gained the presidency and a majority in the House of Representatives, it looks as if the Republicans could retain their slim majority in the Senate provided they keep hold of two key seats in Georgia in elections in early January. If those two seats do swing to the Democrats, they will then control both Houses and President Biden will consequently have a free hand to determine policy and to implement his election manifesto.

- **The economy** had been recovering quite strongly from its contraction in 2020 of 10.2% due to the pandemic with GDP only 3.5% below its pre-pandemic level and the unemployment rate dropping below 7%. However, the rise in new cases during quarter 4, to the highest level since mid-August, suggests that the US could be in the early stages of a fourth wave. While the first wave in March and April was concentrated in the Northeast, and the second wave in the South and West, the third wave in the Midwest looks as if it now abating. However, it also looks as if the virus is rising again in the rest of the country. The latest upturn poses a threat that the recovery in the economy could stall. This is **the single biggest downside risk** to the shorter term outlook – a more widespread and severe wave of infections over the winter months, which is compounded by the impact of the regular flu season and, as a consequence, threatens to overwhelm health care facilities. Under those circumstances, states might feel it necessary to return to more draconian lockdowns.

  COVID-19 hospitalisations per 100,000 population



- The restrictions imposed to control the spread of the virus are once again weighing on the economy with employment growth slowing sharply in November and retail sales dropping back. The economy is set for further weakness in December and into the spring. However, a $900bn fiscal stimulus deal passed by Congress in late December will limit the downside through measures which included a second round of direct payments to households worth $600 per person and a three-month extension of enhanced unemployment insurance (including a $300 weekly top-up payment for all claimants). GDP growth is expected to rebound markedly from the second quarter of 2021 onwards as vaccines are rolled out on a widespread basis and restrictions are loosened.

- After Chair Jerome Powell unveiled the **Fed's adoption of a flexible average inflation target** in his Jackson Hole speech in late August 2020, the mid-September meeting of the Fed agreed by a majority to a toned down version of the new inflation target in his speech - that *"it would likely be appropriate to maintain the current target range until labour market conditions were judged to be consistent with the Committee's assessments of maximum employment and inflation had risen to 2% and was on track to moderately exceed 2% for some time."* This change was aimed to provide more stimulus for economic growth and higher levels of employment and to avoid the danger of getting caught in a deflationary “trap” like Japan. It is to be noted that inflation has actually been under-shooting the 2% target significantly for most of the last decade, (and this year), so financial markets took note that higher levels of inflation are likely to be in the pipeline; long-term bond yields duly rose after the meeting. The FOMC’s updated economic and rate projections in mid-September showed that officials expect to leave the fed funds rate at near-zero until at least end-2023 and probably for another year or two beyond that. There is now some expectation that where the Fed has led in changing its inflation target, other major central banks will follow. The increase in tension over the last year between the US and China is likely to lead to a lack of momentum in progressing the initial positive moves to agree a phase one trade deal.

- The Fed’s meeting on **5 November** was unremarkable - but at a politically sensitive time around the elections. At its **16 December** meeting the Fed tweaked the guidance for its monthly asset quantitative easing purchases with the new language implying those purchases could continue for longer than previously believed. Nevertheless, with officials still projecting that inflation will only get back to 2.0% in 2023, the vast majority expect the fed funds rate to be still at near-zero until 2024 or later. Furthermore, officials think the balance of risks surrounding that median inflation forecast are firmly skewed to the downside. The key message is still that policy will remain unusually accommodative – with near-zero rates and asset purchases – continuing for several more years. This is likely to result in keeping Treasury yields low – which will also have an influence on gilt yields in this country.

- **EU.** In early December, the figures for Q3 GDP confirmed that the economy staged a rapid rebound from the first lockdowns. This provides grounds for optimism about growth prospects for next year. In Q2, GDP was 15% below its pre-pandemic level. But in Q3 the economy grew by 12.5% q/q leaving GDP down by "only" 4.4%. That was much better than had been expected earlier in the year. However, growth is likely to stagnate during Q4 and in Q1 of 2021, as a second wave of the virus has affected many countries: it is likely to hit hardest those countries more dependent on tourism. The €750bn fiscal support package eventually agreed by the EU after prolonged disagreement between various countries, is unlikely to provide significant support, and quickly enough, to make an appreciable difference in the countries most affected by the first wave.

- With inflation expected to be unlikely to get much above 1% over the next two years, **the ECB** has been struggling to get inflation up to its 2% target. It is currently unlikely that it will cut its central rate even further into negative territory from -0.5%, although the ECB has stated that it retains this as a possible tool to use. The ECB's December meeting added a further €500bn to the PEPP scheme, (purchase of government and other bonds), and extended the duration of the programme to March 2022 and re-investing maturities for an additional year until December 2023. Three additional tranches of TLTRO, (cheap loans to banks), were approved, indicating that support will last beyond the impact of the pandemic, implying indirect yield curve control for government bonds for some time ahead. The Bank's forecast for a return to pre-virus activity levels was pushed back to the end of 2021, but stronger growth is projected in 2022. The total PEPP scheme of €1,850bn of QE which started in March 2020 is providing protection to the sovereign bond yields of weaker countries like Italy. There is therefore unlikely to be a euro crisis while the ECB is able to maintain this level of support. However, as in the UK and the US, the advent of highly effective vaccines will be a game changer, although growth will struggle before later in quarter 2 of 2021.

- **China.** After a concerted effort to get on top of the virus outbreak in Q1, economic recovery was strong in Q2 and then into Q3 and Q4; this has enabled China to recover all of the contraction in Q1. Policy makers have both quashed the virus and implemented a programme of monetary and fiscal support that has been particularly effective at stimulating short-term growth. At the same time, China's economy has benefited from the shift towards online spending by consumers in developed markets. These factors help to explain its comparative outperformance compared to western economies. However, this was achieved by major central government funding of yet more infrastructure spending. After years of growth having been focused on this same area, any further spending in this area is likely to lead to increasingly weaker economic returns in the longer term. This could, therefore, lead to a further misallocation of resources which will weigh on growth in future years.

- **Japan.** A third round of fiscal stimulus in early December took total fresh fiscal spending this year in response to the virus close to 12% of pre-virus GDP. That's huge by past standards, and one of the largest national fiscal responses. The budget deficit is now likely to reach 16% of GDP this year. Coupled with Japan's relative success in containing the virus without draconian measures so far, and the likelihood of effective vaccines being available in the coming months, the government's latest fiscal effort should help ensure a strong recovery and to get back to pre-virus levels by Q3 2021 – around the same time as the US and much sooner than the Eurozone.

- **World growth.** World growth will have been in recession in 2020. Inflation is unlikely to be a problem for some years due to the creation of excess production capacity and depressed demand caused by the coronavirus crisis.

- Until recent years, world growth has been boosted by increasing **globalisation** i.e. countries specialising in producing goods and commodities in which they have an economic advantage and which they then trade with the rest of the world. This has boosted worldwide productivity and growth, and, by lowering costs, has also depressed inflation. However, the rise of China as an economic superpower over the last thirty years, which now accounts for nearly 20% of total world GDP, has unbalanced the world economy. The Chinese government has targeted achieving major world positions in specific key sectors and products, especially high tech areas and production of rare earth minerals used in high tech products. It is achieving this by massive financial support, (i.e. subsidies), to state owned firms, government directions to other firms, technology theft, restrictions on market access by foreign firms and informal targets for the domestic market share of Chinese producers in the selected sectors. This is regarded as being unfair competition that is putting western firms at an unfair disadvantage or even putting some out of business. It is also regarded with suspicion on the political front as China is an authoritarian country that is not averse to using economic and military power for political advantage. The current trade war between the US and China therefore needs to be seen against that backdrop. It is, therefore, likely that we are heading into a period where there will be a **reversal of world globalisation and a decoupling of western countries** from dependence on China to supply products. This is likely to produce a backdrop in the coming years of weak global growth and so weak inflation.

Summary

Central banks are, therefore, likely to support growth by maintaining loose monetary policy through keeping rates very low for longer. Governments could also help a quicker recovery by providing more fiscal support for their economies at a time when total debt is affordable due to the very low rates of

interest. They will also need to avoid significant increases in taxation or austerity measures that depress demand in their economies.

If there is a huge surge in investor confidence as a result of successful vaccines which leads to a major switch out of government bonds into equities, which, in turn, causes government debt yields to rise, then there will be pressure on central banks to actively manage debt yields by further QE purchases of government debt; this would help to suppress the rise in debt yields and so keep the total interest bill on greatly expanded government debt portfolios within manageable parameters. It is also the main alternative to a programme of austerity.

INTEREST RATE FORECASTS

Brexit. The interest rate forecasts provided by Link in paragraph 3.3 were predicated on an assumption of a reasonable agreement being reached on trade negotiations between the UK and the EU by 31.12.20. There is therefore no need to revise these forecasts now that a trade deal has been agreed. Brexit may reduce the economy's potential growth rate in the long run. However, much of that drag is now likely to be offset by an acceleration of productivity growth triggered by the digital revolution brought about by the COVID crisis.

The balance of risks to the UK

- The overall balance of risks to economic growth in the UK is probably now skewed to the upside, but is still subject to some uncertainty due to the virus and the effect of any mutations, and how quick vaccines are in enabling a relaxation of restrictions.
- There is relatively little UK domestic risk of increases or decreases in Bank Rate and significant changes in shorter term PWLB rates. The Bank of England has effectively ruled out the use of negative interest rates in the near term and increases in Bank Rate are likely to be some years away given the underlying economic expectations. However, it is always possible that safe haven flows, due to unexpected domestic developments and those in other major economies, could impact gilt yields, (and so PWLB rates), in the UK.

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- **UK government** takes too much action too quickly to raise taxation or introduce austerity measures that depress demand in the economy.
- **UK - Bank of England** takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- A resurgence of the **Eurozone sovereign debt crisis.** The ECB has taken monetary policy action to support the bonds of EU states, with the positive impact most likely for "weaker" countries. In addition, the EU agreed a €750bn fiscal support package. These actions will help shield weaker economic regions for the next two or three years. However, in the case of Italy, the cost of the virus crisis has added to its already huge debt mountain and its slow economic growth will leave it vulnerable to markets returning to taking the view that its level of debt is unsupportable. There remains a sharp divide between

northern EU countries favouring low debt to GDP and annual balanced budgets and southern countries who want to see jointly issued Eurobonds to finance economic recovery. This divide could undermine the unity of the EU in time to come.

- Weak capitalisation of some **European banks**, which could be undermined further depending on extent of credit losses resultant of the pandemic.
- **German minority government & general election in 2021.** In the German general election of September 2017, Angela Merkel's CDU party was left in a vulnerable minority position dependent on the fractious support of the SPD party, as a result of the rise in popularity of the anti-immigration AfD party. The CDU has done badly in subsequent state elections but the SPD has done particularly badly. Angela Merkel has stepped down from being the CDU party leader but she will remain as Chancellor until the general election in 2021. This then leaves a major question mark over who will be the major guiding hand and driver of EU unity when she steps down.
- **Other minority EU governments.** Austria, Sweden, Spain, Portugal, Netherlands, Ireland and Belgium also have vulnerable minority governments dependent on coalitions which could prove fragile.
- **Austria, the Czech Republic, Poland and Hungary** now form a strongly anti-immigration bloc within the EU, and they had threatened to derail the 7 year EU budget until a compromise was thrashed out in late 2020. There has also been a rise in anti-immigration sentiment in Germany and France.
- **Geopolitical risks,** for example in China, Iran or North Korea, but also in Europe and other Middle Eastern countries, which could lead to increasing safe haven flows.

Upside risks to current forecasts for UK gilt yields and PWLB rates

- **UK -** a significant rise in inflationary pressures e.g. caused by a stronger than currently expected recovery in the UK economy after effective vaccines are administered quickly to the UK population, leading to a rapid resumption of normal life and return to full economic activity across all sectors of the economy.
- The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly within the UK economy, which then necessitates a rapid series of increases in Bank Rate to stifle inflation.

Appendix G

Prospects for Interest Rates

The data below shows the latest interest rate forecast from the Council's treasury management advisors, Link Asset Services, dated 9th November 2020.

Link Group Interest Rate View 9/11/20													
These Link forecasts have been amended for the reduction in PWLB margins by 1.0% from 26/11/20													
	Mar 21	**Jun 21**	**Sep 21**	**Dec 21**	**Mar 22**	**Jun 22**	**Sep 22**	**Dec 22**	**Mar 23**	**Jun 23**	**Sep 23**	**Dec 23**	**Mar 24**
BANK RATE	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
6 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
12 month ave earnings	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
5 yr PWLB	0.80	0.80	0.80	0.80	0.90	0.90	0.90	0.90	0.90	1.00	1.00	1.00	1.00
10 yr PWLB	1.10	1.10	1.10	1.10	1.20	1.20	1.20	1.20	1.20	1.30	1.30	1.30	1.30
25 yr PWLB	1.50	1.60	1.60	1.60	1.60	1.70	1.70	1.70	1.70	1.80	1.80	1.80	1.80
50 yr PWLB	1.30	1.40	1.40	1.40	1.40	1.50	1.50	1.50	1.50	1.60	1.60	1.60	1.60

Please Note – The current PWLB rates and forecast shown above have taken into account the 20 basis point certainty rate reduction effective as of the 1st November 2012.

Appendix H

Glossary of Terms

Authorised Limit - This Prudential Indicator represents the limit beyond which borrowing is prohibited, and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable. It is the expected maximum borrowing need, with some headroom for unexpected movements.

Bank Rate - the rate at which the Bank of England offers loans to the wholesale banks, thereby controlling general interest rates in the economy.

Counterparty - one of the opposing parties involved in a borrowing or investment transaction.

Covered Bonds - Debt instruments secured by assets such as mortgage loans. These loans remain on the issuer's balance sheet and investors have a preferential claim in the event of the issuing institution defaulting.

Credit Rating - A qualified assessment and formal evaluation of an institution's (bank or building society) credit history and capability of repaying obligations. It measures the probability of the borrower defaulting on its financial obligations, and its ability to repay these fully and on time.

Discount - Where the prevailing interest rate is higher than the fixed rate of a long-term loan, which is being repaid early, the lender can refund the borrower a discount, the calculation being based on the difference between the two interest rates over the remaining years of the loan, discounted back to present value. The lender is able to offer the discount, as their investment will now earn more than when the original loan was taken out.

Fixed Rate Funding - A fixed rate of interest throughout the time of the loan. The rate is fixed at the start of the loan and therefore does not affect the volatility of the portfolio, until the debt matures and requires replacing at the interest rates relevant at that time.

Gilts - The loan instruments by which the Government borrows. Interest rates will reflect the level of demand shown by investors when the Government auctions Gilts.

High/Low Coupon - High/Low interest rate

LIBID (London Interbank Bid Rate) - This is an average rate, calculated from the rates at which individual major banks in London are willing to borrow from other banks for a particular time period. For example, 6 month LIBID is the average rate at which banks are willing to pay to borrow for 6 months.

LIBOR (London Interbank Offer Rate) - This is an average rate, calculated from the rates which major banks in London estimate they would be charged if they borrowed from other banks for a particular time period. For example, 6 month LIBOR is the average rate which banks believe they will be charged for borrowing for 6 months.

Liquidity - The ability of an asset to be converted into cash quickly and without any price discount. The more liquid a business is, the better able it is to meet short-term financial obligations.

LOBO (Lender Option Borrower Option) - This is a type of loan where, at various periods known as call dates, the lender has the option to alter the interest rate on the loan. Should the lender exercise this option, the borrower has a corresponding option to repay the loan in full without penalty.

Market -The private sector institutions - Banks, Building Societies etc.

Maturity Profile/Structure - an illustration of when debts are due to mature, and either have to be renewed or money found to pay off the debt. A high concentration in one year will make the Council vulnerable to current interest rates in that year.

Monetary Policy Committee - the independent body that determines Bank Rate.

Money Market Funds - Investment instruments that invest in a variety of institutions, therefore diversifying the investment risk.

Operational Boundary – This Prudential Indicator is based on the probable external debt during the course of the year. It is not a limit and actual borrowing could vary around this boundary for short times during the year. It should act as an indicator to ensure the Authorised Limit is not breached.

Premium - Where the prevailing current interest rate is lower than the fixed rate of a long-term loan, which is being repaid early, the lender can charge the borrower a premium, the calculation being based on the difference between the two interest rates over the remaining years of the loan, discounted back to present value. The lender may charge the premium, as their investment will now earn less than when the original loan was taken out.

Prudential Code - The Local Government Act 2003 requires the Council to 'have regard to' the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

PWLB - Public Works Loan Board. Part of the Government's Debt Management Office, which provides loans to public bodies at rates reflecting those at which the Government is able to sell Gilts.

SONIA – Sterling Overnight Index Average (SONIA) is an interest rate benchmark which is based on actual transactions and reflects the average of the interest rates that banks pay to borrow sterling overnight from other financial institutions and other institutional investors.

Specified Investments - Sterling investments of not more than one-year maturity. These are considered low risk assets, where the possibility of loss of principal or investment income is very low.

Non-specified investments - Investments not in the above, specified category, e.g., foreign currency, exceeding one year or outside our minimum credit rating criteria.

Treasury Bills - These are marketable securities issued by the UK Government and as such counterparty and liquidity risk is very low.

Variable Rate Funding - The rate of interest either continually moves reflecting interest rates of the day, or can be tied to specific dates during the loan period. Rates may be updated on a monthly, quarterly or annual basis.

Volatility - The degree to which the debt portfolio is affected by current interest rate movements. The more debt maturing within the coming year and needing replacement, and the more debt subject to variable interest rates, the greater the volatility.

Yield Curve - A graph of the relationship of interest rates to the length of the loan. A normal yield curve will show interest rates relatively low for short-term loans compared to long-term loans. An inverted Yield Curve is the opposite of this.

Appendix I

Treasury Management Implications of HRA Reform

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

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

The Portfolio Split

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

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

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

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

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

CFRs	Pre reform		Post reform	% of total
	£'000		*£'000*	
General Fund HRA	675,454 418,463		675,454 124,187	84.47% 15.53%
Total	**1,093,917**		**799,641**	**100.00%**
Of which financed: *Of which unfinanced:*			*488,374* *311,267*	

As can be seen from the tables below, the debt was to split in a ratio of 84.47:15.53 between the General Fund and the HRA, including the unfinanced CFR element. This is the level of internal borrowing undertaken in lieu of external borrowing, through the use of cash balances to fund expenditure rather than external borrowing. It was decided, for administrative reasons, that all of the Council's remaining stock debt should be held by the General Fund, which increased the relative level of unfinanced CFR held by the HRA.

The final split of the debt portfolio is shown in the table below:

	General Fund	HRA	Total
	£'000	*£'000*	*£'000*
Market	405,636	74,579	480,215
% of total market	*84.47%*	*15.53%*	
Stock	8,159	0	8,159
% of stock	*100.00%*	*0.00%*	
Total Loans	**413,795**	**74,579**	**488,374**
% of total loans	*84.73%*	*15.27%*	
Unfinanced CFR	261,659	49,608	311,267
% of unfinanced CFR	*84.06%*	*15.94%*	
Total CFR	**675,454**	**124,187**	**799,641**
% of total CFR	*84.47%*	*15.53%*	

Future HRA borrowing

Following the split of the portfolio, the HRA can make borrowing decisions according to the needs of their business plan, provided those decisions are aligned with their treasury strategy and are agreed by the Section 151 officer. The amounts and maturity periods of any future loans will be determined by the HRA, in conjunction with the Treasury Management team and the Deputy Chief Executive and City Treasurer. Any future borrowing made by the Council will be for either the General Fund or the HRA and not for the Council in general.

Use of Temporary Cash Balances and Temporary Borrowing

Although the HRA's treasury position is now independent of the General Fund, both are managed in the name of the Council as a whole. As such, the day to day treasury position of the Council, whilst having regard to the impact on the HRA and the General Fund, will be run on a Council basis – this simplifies the risk management of the treasury position, and should help to ensure that the treasury function is providing value for money.

To achieve this, the General Fund will deposit and temporarily borrow externally, but the HRA will only be able to deposit with the General Fund and, should it be required, will only be able to access temporary borrowing through the General Fund. In order to ensure that this is fair, interest rates will be applied to any such internal transfers, as summarised below:

- If the General Fund has temporary investments, HRA investments with the General Fund will earn – ***average portfolio temporary investment rate***

- If the General Fund does not have temporary investments, HRA investments with the General Fund will earn – ***SONIA***

- If the General Fund has temporary borrowing, HRA temporary borrowing from the General Fund will be charged – ***average portfolio temporary borrowing rate***

- If the General fund does not have temporary borrowing, HRA temporary borrowing from the General Fund will be charged – ***SONIA***

The Bank of England and the Financial Conduct Authority (FCA) are committed to phasing out LIBOR before the end of 2021. Therefore, the market rates used are SONIA which the Council will use for benchmarking investments and temporary borrowing.

Future Reporting

The intention is to continue to report to Members the overall treasury position of the Council, including both the General Fund and the HRA. Separate reports will be provided on the General Fund and the HRA, when required.

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