



Audit Committee

Date: Tuesday, 27 July 2021

Time: 10.00 am

Venue: Council Chamber, Level 2, Town Hall Extension

Everyone is welcome to attend this committee meeting.

There will be a private meeting for Members only at 9.30am in Room 2006, 2nd Floor of Town Hall Extension. A Town Hall pass is needed to reach this room.

Access to the Council Antechamber

Public access to the Council Antechamber is on Level 2 of the Town Hall Extension, using the lift or stairs in the lobby of the Mount Street entrance to the Extension. That lobby can also be reached from the St. Peter's Square entrance and from Library Walk. **There is no public access from the Lloyd Street entrances of the Extension.**

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Membership of the Audit Committee

Councillors - Ahmed Ali (Chair), Clay, Hitchen, Lanchbury, Russell, Barker, Downs and Craig (Executive Member)

Independent Co-opted Members – Dr S Downs and Dr D Barker

Agenda

1. Urgent Business

To consider any items which the Chair has agreed to have submitted as urgent.

2. Appeals

To consider any appeals from the public against refusal to allow inspection of background documents and/or the inclusion of items in the confidential part of the agenda.

3. Interests

To allow Members an opportunity to [a] declare any personal, prejudicial or disclosable pecuniary interests they might have in any items which appear on this agenda; and [b] record any items from which they are precluded from voting as a result of Council Tax/Council rent arrears; [c] the existence and nature of party whipping arrangements in respect of any item to be considered at this meeting. 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.

4. Minutes

To approve as a correct record the minutes of the meeting held on 15 June 2021.

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5. External Audit - update

The Council's external auditor (Mazars) will provide a verbal update.

6. Draft Statement of Accounts

The report of the Deputy Chief Executive and City Treasurer is enclosed.

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7. Capital Programme Outturn 2020/21

The report of the Deputy Chief Executive and City Treasurer is enclosed. The report replaces the version previously issued.

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8. Revenue Outturn Report 2020/21

The report of the Deputy Chief Executive and City Treasurer is enclosed.

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9. Treasury Management Outturn Report

The report of the Deputy Chief Executive and City Treasurer is enclosed.

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10. Outstanding Audit Recommendations

The report of the Deputy Chief Executive and City Treasurer / Head of Audit and Risk Management is enclosed.

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|--------------------------------------------------------------------------|------------------|
| 11. Implications of the Redmond Review on External Audit | 189 - 196 |
| The report of the Deputy Chief Executive and City Treasurer is enclosed. | |
| 12. Committee Work Programme and Recommendations monitor | 197 - 210 |

Information about the Committee

The Committee is responsible for approving the Council's statement of accounts; considering the Audit Commission's Annual Audit and Inspection Letter and monitoring the Council's response to individual issues of concern identified in it. The Committee also considers the Council's annual review of the effectiveness of its systems of internal control and assurance over the Council's corporate governance and risk management arrangements, and engages with the external auditor and external inspection agencies to ensure that there are effective relationships between external and internal audit.

The Council is concerned to ensure that its meetings are as open as possible and confidential business is kept to the strict minimum. When confidential items are involved these are considered at the end of the meeting at which point members of the public are asked to leave.

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

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

Smoking is not allowed in Council buildings.

Joanne Roney OBE
Chief Executive
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Further Information

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

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This agenda was issued on **Monday, 19 July 2021** by the Governance and Scrutiny Support Unit, Manchester City Council, Level 3, Town Hall Extension (Lloyd Street Elevation), Manchester M60 2LA

Audit Committee

Minutes of the meeting held on 15 June 2021

Present:

Councillor Ahmed Ali - In the Chair
Councillors Clay, Lanchbury and Russell

Independent Co-opted member: Dr S Downs

Also Present:

Councillor Craig (Deputy Leader)
Karen Murray (Mazars) - External Auditor

Apologies:

Dr D Barker (Independent Co-opted Member)

AC/21/10 Minutes

Decision

To approve the minutes of the meeting held on 16 March 2021 as a correct record.

AC/21/11 Draft Annual Governance Statement

The Committee considered a report of the Deputy Chief Executive and City Treasurer which set out the draft 2020/21 Annual Governance Statement (AGS), which had been produced following completion of the annual review of the Council's governance arrangements and systems of internal control.

For 2020/21, a desktop review of the AGS process had been carried out to identify improvements and efficiencies. A review of good practice had also been undertaken, including comparison with peer authorities. As a result improvements had been identified and implemented with the use of a more concise document template now being used to enable a clearer focus on a high-level summary of the strategic oversight of improvements. The report re-emphasised the Council's commitment to improve transparency of its governance arrangements by ensuring that both the Statement itself and the explanation of the arrangements within it were clear, concise and written in plain, clear language in order to make it as accessible as possible for the lay reader.

The processes that had been followed to produce the draft Statement were outlined in the report and the Committee was asked to note the findings of the 2020/21 AGS as well as the actions proposed to further develop or strengthen elements of the Council's governance arrangements during 2021/22.

The Committee welcomed the draft with particular emphasis to the clear and concise nature of the explanations, which were deemed very helpful.

Decision

To note the draft Annual Governance Statement.

AC/21/12 Head of Audit and Risk Management Annual Opinion

In accordance with Public Sector Internal Audit Standard 2450, the Committee considered the report of the Head of Audit and Risk Management which presented the annual internal audit opinion on adequacy, effectiveness and delivery of the programme of audit work designed to raise standards of governance, risk management and internal control across the Council over the last year. This included a summary outturn of the work of the Internal Audit Section for the 12 months April 2020 to March 2021.

The report outlined a discussion within the sector regarding the ability within the sector to undertake sufficient internal audit work and produce a reliable independent assurance assessment under current circumstances. As a result, revised guidance had been issued by Chartered Institute of Public Finance and Accountancy (CIPFA) on the form the opinion may take. The report explained that whilst an opinion on the adequacy and effectiveness of the organisation's framework of governance, risk management and control had been issued for 2020/21, the impact of the Covid19 pandemic on public services over this period had been considerable and had resulted in significant change to planned priorities in order to focus resources on those critical activities essential to the pandemic response and recovery. As a result, the Head of Audit and Risk Management's approach had been to obtain sufficient assurance to support the annual opinion, considering both internal audit work and other sources of assurance which were outlined in the report.

The Head of Audit and Risk Management provided an opinion of reasonable assurance that the Council's governance, risk and control framework was generally sound and operated reasonably consistently in the year. This was an equivalent opinion to that issued in the previous four years and reflected that overall governance, financial management arrangements and core systems and processes within the Council remained effective despite the myriad of challenges presented by the pandemic. The strength of core governance, risk and control systems and the capability, commitment and agility of the workforce and leadership had been a key factor in enabling deviation from standard ways of working and in providing an effective response and recovery approach during the year. However, risks and issues remained in light of the ongoing pandemic and financial challenges to planned delivery of organisational priorities and strategies as well as backlogs in some core business processes. Those risks would be recognised in recovery and transformation priorities including the Future Shape Programme; as well as in budgets and business plans.

The Chair invited questions and comments from members of the Committee.

The Committee welcomed the issue of an opinion in the current climate. A Member commented that it was good to see that emergency contingency planning had been effective and asked whether any of those revised working practices would be carried forward to influence future practice. The Head of Audit and Risk Management spoke about the strong foundation of work done in previous years and the pace, speed and agility required to work within the principles of good governance and the legal

framework. This, he explained, had been reflected on as an organisation and had led to a changed focus on delivery involving greater collaboration across directorate and partnership working. He also said that use of virtual technology had been an important factor in maintaining the pace of delivery outcomes.

A Member sought assurance on the delivery of post payments of additional government grants and support schemes to businesses (including audit assurance). The Head of Audit and Risk Management expressed confidence in this due to the significant amount upfront activity that had taken place as part of mandatory requirements which lowered the error rate in the validation of payments.

With regard to the placement of Looked After Children, a Member welcomed the ongoing improvements towards greater efficiency and streamlining of core processes for Children's Placement Findings.

Turning to outstanding audit recommendations in respect of Transitions and Mental Health Casework, a Member sought assurance that progress had been made in these areas. It was reported that this matter was in hand and would soon be reported back to a future meeting of the committee.

A Member asked about the current impact and future implications of recent events on audit activity. The Head of Audit and Risk Management said that approximately 25% of formal audit days had been completed with the remainder spent on business grants and other pieces of assurance work. He said that there had been a year end evaluation of what had not been delivered together with an assessment of the associated risk /priority with some refocused activity rolled forward for completion this municipal year.

A Member asked for information on the establishment, composition and remit of the Commercial Board. Officers agreed to bring detailed information on delegations and lines of accountability to a future meeting of the committee.

With regard to the Civic Quarter Heat Network (CQHN) project and the forthcoming completion of the construction phase, a Member noted that recommendations for improvements in governance arrangements had been shared with the Commercial Board and asked if those recommendations could be shared with the Committee. The Head of Audit and Risk Management agreed to this.

Decisions

1. To note the issue of the Head of Audit and Risk Management Annual Assurance Opinion in challenging circumstances.
2. To request that an overview of the function, role and remit of the Commercial Board (Procurement, Contracts and Commissioning) is circulated to Audit Committee members for information.

AC/21/13 Risk and Resilience Strategy and Risk Register

The Committee considered a report of the Deputy Chief Executive and City Treasurer and the Head of Audit and Risk Management which presented information on organisational risk management arrangements. The Committee had received its annual update in relation to delivery of Risk and Resilience strategic priorities in October 2020. The report therefore presented a short update on risk management arrangements since the last report as well as an overview of cross-cutting and strategic risks currently being monitored and managed by the Senior Management Team.

The Chair invited Members of the Committee ask questions and comment on the report.

Members noted the overall picture that ten risks had reduced in score and none had increased but were also mindful that the timing of the refresh did not reflect the current COVID infection rate in the city and its associated impact on delivery.

There was a discussion about the reported reduction in risk associated with medium term financial resources. A Member noted that concern about the Council's financial status had previously been reported by the external auditors and sought assurances around the reduction in risk. The External Auditor explained that that opinion had been issued in November 2020 when there was greater uncertainty around funding settlements as notifications from central government are issued at different points of the municipal year. She confirmed that following budget setting there was now increased confidence about the Council's ability to meet its financial commitments and acknowledged the organisation's strong track record of identifying and addressing challenges due to its robust governance arrangements.

As a point of clarification the Committee was invited to note that the identified risk associated with the loss of access to ICT had reduced its rating from 12 to 8 (medium).

Decision

To note the report

AC/21/14 Annual Audit Letter – Year Ending 31 March 2020 Council External Auditor

The Committee considered the Annual Audit letter for the year ended 31 March 2020 which summarises the work undertaken as the external auditor for Manchester City Council (the Council).

In line with the Local Audit and Accountability Act (2014) and the Code of Audit Practice issued by the National Audit Office (NAO), the Audit Letter set out key findings arising from audit activity in the following areas:

- Audit of Financial Statements
- Other information published alongside by the audited Financial Statements
- Value for Money Conclusion
- Reporting to the Group Auditor; and

- Statutory Reporting

The Letter also provided information on the increased fees for additional work undertaken as the Council Auditor around valuations and pensions liability and outlined the implications of recent changes to the Code of Audit Practice (April 2020) in relation to the Value for Money arrangements for the 2020/21 municipal year. It also made reference to the impact of the recent Redmond Review.

Karen Murray (Mazars) introduced the Letter explaining that, under usual circumstances, the findings would conclude the audit work undertaken for the 2019/20 municipal year however this had been delayed. Mazars had yet to conclude their work on the Council's Whole of Government Accounts return due to difficulties with the system that had recently been implemented. As a consequence, the Council had not yet been able to finalise its return due to a number of queries and was awaiting a response from the Treasury. However, Mazars were generally satisfied that proper arrangements were in place.

The Chair invited Members of the Committee ask questions / comment on the Letter.

On seeking assurances around the Council being unable to finalise Whole of Government accounts on time, Ms Murray indicated that the likelihood of penalties was very low since a number of Local Authorities had reported technical difficulties of a similar nature with the new system. She added that Mazars had confidence in the Authority's position such that the return would be ready for sign off as soon as those technical difficulties were resolved. She explained that the report was largely a repeat of the Audit Completion report that was submitted to the Committee's November 2020 meeting in respect of issuing the Audit Opinion and the Value for Money Conclusion.

The Committee asked about the implications of the recent changes to the Code of Audit Practice. Ms Murray explained that in essence it represented a shift from the binary conclusion to determine whether or not proper arrangements had been put in place. She summarised the change in the Code as meaning that the external auditor will no longer provide a Value for Money conclusion and would instead provide a commentary which sets out all of the work undertaken over the course of the year provides a view on overall arrangements for delivering value for money. From the 2020/21 municipal year onwards, where a significant weakness in value for money arrangements had been identified, auditors would be required to quickly notify Local Authorities of those weaknesses and provide a series of actions to address those weaknesses. Ms Murray confirmed that Mazars remained generally satisfied that proper arrangements are in place based on the work done so far but that this was continuously under review.

There was a discussion about the implications of the Redmond Review and reference to the proposal to create the Office of Local Audit and Regulation (OLAR), which was subsequently rejected by MHCLG. Ms Murray explained that the intention behind OLAR would have been to coordinate and regulate audit practices and achieve better coordination of what is expected, when and by whom to meet the challenges within the sector. The Committee noted that the matter was currently

under consultation for another body as wider government reforms of the audit market.

Decisions

To note the report.

AC/21/15 Audit Strategy Memorandum – Year Ending 31 March 2021

The Committee considered the Council's External Auditors (Mazars) Audit Strategy Memorandum for the year ended 31 March 2021.

The document provided information on

- The audit scope (including group audit), approach and timeline
- Significant risks and key judgement areas
- The extended auditors report; and
- Value for Money

The document discussed national timescales for 2020/21 requiring the Council to produce their draft Group accounts by the end of July 2021 and for the audit to be completed by the end of September 2021, effectively two months earlier than the deadlines agreed for 2019/20.

Mazar's asserted that this timescale would be extremely challenging, particularly given the complexity of the Council's financial statements, the related complexity of their own external audit processes, and the pressure this placed on the Council's finance team to deliver draft financial statements and supporting working papers within the allocated timeframe. On that basis, Mazar's had resolved to complete the Council's audit by November 2021 therefore allowing the Council two additional months to produce the draft Group financial statements and supporting working papers to enable completion of the audit in a well managed and deliverable manner.

The main challenges to meeting the September 2021 timetable were described as:

- The size, number and complexity of the valuations of Council and Group land & buildings and investment properties – this was an area of significant difficulty in 2019/20, and the audit work requires significant information, and assistance, from the Council's three external valuers. The previous year's completion report recommended improvements in the audit trail from the Council's valuers to support the valuations. As a result, Mazar's planned to commence detailed audit activity in that area in July, in advance of the rest of the audit work in order to mitigate the risk of delays in completing the work.
- Completion of audit work by the auditor of GM Pension Fund – Mazar's obtained assurances from the auditor of GMPF on several areas relating to the Council's pension asset and liability. The GMPF audit is planned to be completed by the end of July and at this stage we do not anticipate any delays impacting on the Council's audit completion.

- The timetable does require the Council's draft accounts and working papers to be available for the start of our audit. We have planned our main audit work to commence at the start of September to ensure that sufficient contingency is inbuilt.

Ms Murray said that the Committee would receive a further report in November 2021 which would explain the work that had taken place.

The Committee sought assurances concerning the risk of penalties in not keeping to the national timetable. Ms Murray confirmed that Mazar's were not aware of any sanctions that would apply for the submission of a late Audit opinion. She explained that the new deadline had been set by the Ministry of Housing, Communities and Local Government (MHCLG) following a consultation in which there had been unanimous supplier concern about the ability to attain a managed position in bringing the timescale forward. She added that in issuing a late opinion she was both confident of achieving a managed situation and the ability to issue in November 2021. Mazar's would work with the Council's Finance team to explain to MHCLG that the opinion was underway but not yet complete and that the complexity of the Council's finances was at the heart of the issue and stressed the importance of doing the right work at the right time for the avoidance of risk.

Decision

1. To note the report and in doing so, note that the external audit opinion will be submitted in November 2021.
2. To note that a further report on audit activity undertaken by Mazar's will be submitted to the Committee's November 2021 meeting.

AC/21/16 Register of Significant Partnerships

The Committee considered a report of the Deputy Chief Executive and City Treasurer which provided an overview of the Register of Significant Partnerships in 2020. The report outlined the review and assurance process which had been conducted as part of the annual review. The report focused on the following key areas:

- Any new partnerships which have been added to the Register
- entries recommended for removal
- where the governance strength rating has changed following the introduction of the new four level ratings system
- any partnerships now classed as 'Reasonable' or 'Limited' strength following completion of the latest self-assessment.

The report stated that no new entries had been proposed for 2020; three however were proposed for removal due to either inactivity or in the process of being closed.

Members noted that the majority of partnership were ranked as 'substantial' or 'reasonable and welcomed this. There was a discussion about the ratings for health and social care partnerships which were determined as 'reasonable'. A Member stressed the importance of ensuring that despite the reasonable rating, such

partnerships were kept at the forefront of audit and monitoring activity due to the nature of their work. Officers acknowledged this and confirmed that these would form part of internal audit actions to provide continued assurance to members and health colleagues.

A Member sought more information about the potential insolvency of National Car Parks Manchester Limited and suggested that the partnership should not be removed from the Register until work around consolidation of the account had been finalised. The Head of PMO: Commercial Governance & Directorate Support agreed to circulate additional information on financial aspects outside of the meeting and assured the Committee there were no potential implications for the Council. Officers agreed to keep the item on the Register until all had been finalised.

There was a discussion about the proposed removal of Northwards from the Register. A Member suggested that this partnership should not be removed until all aspects, including the transfer of staff and assurances around service provision for tenants had been finalised. Officers agreed to this.

A Member expressed surprise that no new partnerships being added for the year. The Head of PMO: Commercial Governance & Directorate Support confirmed that nothing had been brought forward for inclusion by the Senior Management Team. However, she also said that there was potential for some further partnerships to be added in a 6 month review. She added that under usual circumstances the review focussed on reasonable or limited partnerships, but this could be extended to include new partnerships as well as updates on those proposed for removal.

There was a discussion about the Manchester International Festival and The Factory and whether this could become a future partnership. Officers acknowledged the interdependencies and the overarching governance arrangements which encompassed both entities. They agreed to bring provide a comprehensive update to the Committee in November 2021.

Noting that a number of recommendations had been made by the Committee in today's meeting, a Member suggested the introduction of a monitor that sits alongside the Committees Work Programme to track the progress /implementation of it decisions. The Head of Audit and Risk Management agreed to collaborate with the Committee Officer to progress this.

Decisions

1. To note the report
2. To agree to the development of a decisions monitor that sits alongside the committee's work programme to track the progress of decisions made and their associated outcomes.



MANCHESTER
CITY COUNCIL

Annual Accounts 2020/21

Overview of the Accounts and Key Issues

Foreword: Revised Accounts Timetable and Challenges

Timetable

- Publication deadline of the Annual Accounts has been changed for 2020/21 due to Covid 19.
- Draft Accounts to be published by 31st July 2021
- Draft Accounts to go on deposit for public inspection from 1st August 2021
- Audited Accounts to be published by 30th September 2021
- Manchester City Council has chosen to continue with the presentation to Audit Committee as we regard this as best practice

Challenges

- Unprecedented year seen the Council's net budget increase by £205m in year due to covid expenditure
- Administered over £480m of Covid Grants
- Provided support for the Airport
- Made savings of £40m to set a balanced budget
- Lost key personnel supporting the production of accounts

Group Accounts

The Group accounts are being finalised, but will be completed for the publishing deadline.

Manchester Airport Group (MAG) adhere to different accounting deadlines and due to the pandemic and resource pressures we have received both the accounting information from MAG and the external valuation information very late.

Foreword: Financial Impact of Covid-19

- As a result of the COVID-19 pandemic there has been additional demand for services and reductions to Council's income.
- The pressures in excess of the budget of the pandemic was **£56m** in 2020/21 increasing to a forecast **£144m** in 2021/22. It is anticipated the losses will continue to be felt over the five-year period.
- Meant that savings of **£40.7m** had to be found to balance the 2021/22 budget.

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In line with CIPFA guidance we have included a table detailing Covid grants, and the Council's status as principal or agent.

- The financial impact of these Covid related pressures are reflected throughout the accounts including the increase and revised reserves presentation, increased impairment of debt for council tax, business rates and the collection fund position reported.
- Resulted in added complexity to the production of the accounts
- The full narrative report provides greater detail about the effects of the Covid-19 pandemic on the city region, and our residents.

Item 6

Effects of COVID-19 on 2020/21 Accounts

The challenges associated with COVID-19 have had a significant effect on the Council's financial activities and position at the end of 2020/21 and predominantly into 2021/22.

As a result, additional disclosures have been included in the 2020/21 annual accounts, including:

- Assumptions around going concern particularly group entities
- Increased financial specific Covid reserves as disclosed
- New requirement to disclose all Covid grants and agency/principal
- Impact on the collection fund accounting position
- Additional allowance for non payment of debt particularly council tax and business rates
- Less certainty about estimates - particularly property, plant and equipment and pension liability.

Narrative Report

Puts the numbers into context

Articulates:

City Council's strategic objectives and achievements...

.....within its available resources

.....including how it has applied those resources

.....and the Governance (decision making and assurance)

- Our Council
- Our City
- Our Strategy and objectives
- Our Funding and Spending 2020/21
- Our Performance (what is achieved through our investment in public services)
- Our Financial Performance
- Covid-19 Grants
- Our Risks and Outlook
- The Financial Statements
- The Basis of Preparation of the Annual Statement of Accounts

Narrative Report

Summary of performance in 2020/21

Zero Carbon Manchester

- Total provisional estimated Council emissions in 2020/21 (25,429 tonnes CO₂) were **18% below** the annual budget for 2020/21 (31,080 tonnes CO₂).
- Total Council emissions in 2019/20 (32,284 tonnes CO₂) were **10% below** the annual budget for 2019/20 (35,724 tonnes CO₂).

Growth that Benefits Everyone

- 50-64 year olds claiming out of work benefits in November 2020 was **30.7%**, Source: DWP
- The percentage of the Council's procurement spend which was spent with local suppliers in 2019/20 was **69.2%** Source: CLES.
- The numbers of enrolments on foundation courses including Literacy/Numeracy/ESOL in the period August 2019 to July 2020 was **2,861** Source: MCC (Enrolments were notably affected by COVID-19)
- There were **15 planning applications** processed by the Council with fees of **£50,000 and above** in 2020/21 . Source: MCC

Narrative Report

Summary of performance in 2020/21

Young People

- The percentage of the city's primary schools rated good or outstanding in 2020/21 was **92.5%** Source: Ofsted. (There are 135 primary schools, including academies and independents. NB: COVID-19 has impacted on inspections, staff availability and has disrupted children's learning experience.)
- The percentage of the city's secondary schools rated good or outstanding in 2020/21 was **69.2%**, Source: Ofsted. (There are 29 secondary schools, including academies and independents)
- The number of Looked After Children in Manchester in 2020/21 was **1,371 (a rate of 110.7 per 10,000 children)**, which was a desirable decrease from that of 2019/20 (1,431 Looked After Children, a rate of 117 per 10,000 children). Source: MCC.
- The provisional number of Children In Need in Manchester in 2020/21 was **5,357 (a rate of 436 per 10,000 children)**, (5,370 Children In Need, a rate of 440 per 10,000 children). Source: MCC.

Narrative Report

Summary of performance in 2020/21

Healthy cared-for people

- The number of carers receiving carers specific services in 2020/21 was **41.26 per 10,000 population**, which was an increase from that of 2019/20 (29.51). Source: NHS Digital.
- The proportion of directly provided services which have been rated "Good" or "Outstanding" by CQC in 2020/21 was **92%**, which was a desirable increase from that of 2019/20 (82%). Source: CQC.
- The number of emergency hospital admissions for Manchester in 2020/21 was **81 per 1,000 population**, which was a decrease from the 136 recorded for 2019/20. Source: Healthcare Evaluation Data (HED)/NHS
- **20%** of households moved to settled accommodation provided by registered providers in 2020/21, which was a very slight decrease from 2019/20 (21%). Source: MCC.
- The number of households moved to settled accommodation in the private sector in 2020/21 was **523**, which was a desirable increase from that of 2019/20 (408). Source: MCC.
- The number of households prevented from becoming homeless via supporting them to stay in existing or alternative accommodation in 2020/21 was **789**, which was an undesirable decrease from that of 2019/20 (1,178). Source: MCC.
- The number of households presented as homeless or threatened with homelessness and were owed a duty in 2020/21 was **5,787**, which was an undesirable increase from that of 2019/20 (5,200). Source: MCC.

Narrative Report

Summary of performance in 2020/21

Housing

- The number of new homes completed in Manchester in 2020/21, which were defined as affordable by the government was **461**, a desirable increase of 5.2% from that of 2019/20 (437). Source: MCC.
- The number of new builds which became available for buying or renting in Manchester in 2020/21 was **4,260**, which was a desirable small increase of 1.9% from that of 2019/20 (4,180). Source: MCC.

Neighbourhoods

- The percentage of household waste recycled in 2020/21 was **40.4%**, which was a small desirable increase from that of 2019/20 (40.1%). Source: DEFRA.
- **13,658 tonnes** of waste from street cleansing was collected in 2020/21, which was an increase on the 13,347 tonnes collected in 2019/20. Source: Weighbridge data - Viridor/Suez and Redgate Holdings
- In 2020/21 the total number of recorded visits to Manchester's libraries, galleries and sports and leisure facilities was 725,593 in 2020/21, this is a reduction of 90.3% from 7.472m visits in 2019/20.

Narrative Report

Summary of performance in 2020/21

Connections

- The total amount of resurfacing work delivered in 2020/21 in m² (excluding footways) was **773,362m²**, which was a desirable increase from that of 2019/20 (538,760m²). Source: MCC.
- The percentage of journeys into Manchester city centre by bicycle in 2020/21 was **2.2%**, which was very similar to that of 2019/20 (2.3%). Source: TfGM
- The percentage of road network (excl. footways) rated as in poor condition in 2020 was **17.7%**, which was a desirable decrease from that of 2019 (19.98%). Source: MCC via GAIST.
- The percentage of residents with access to high-speed broadband (>30Mbits/s) in 2020 was **95%**, which was a desirable small increase from that of 2019 (94.2%). Source: Ofcom.

Equality

- We've been rated as 'excellent' under the Equality Framework for Local Government (EFLG). This accreditation, for the period June 2018 – 2021, indicates the delivery of excellence in the areas of: knowing our communities, leadership, partnership and organisational commitment, involving our communities, responsive services and customer care, and skilled and committed workforce.

Well-managed council

- The percentage of annual due Council Tax collected in 2020/21 was **90.15%**, which was an undesirable decrease from that of 2019/20 (92.73%). Source: MCC.
- The percentage of annual due Business Rates collected in 2020/21 was **87.91%**, which was an undesirable decrease from that of 2019/20 (97.58%). Source: MCC.
- The number of Stage 1 and 2 corporate complaints responded to within 10 working days in 2020/21 was **60.5%**, which was an undesirable decrease from that of 2019/20 (75.9%).

Narrative Report

Financial Performance Section includes:

- Net Revenue Budget 2020/21 – net revenue budget compared to outturn and key reasons for variations
- Capital Outturn 2020/21 compared to budget, details of spend for key projects and summary of how capital expenditure was funded
- Detail on Covid-19 Grant funding.

Covid-19 Grants 2020/21

During the financial year the Council has administered over **£480m** of COVID-19 grant schemes on behalf of Government to support businesses and residents during the pandemic, distributed by government in **30** different grant types.

The Council has had to determine whether it was acting as a principal or agent of government when administering the grants. Where the Council was acting as agent the following conditions applied:

- It was acting as an intermediary between the recipient and the Government Department;
- It did not have “control” of the grant conditions and there was no flexibility in determining the level of grant payable.

Where the Council acted as principal, it was able to use its own discretion when allocating the amount of grant payable.

The following tables below provide a full summary of all the COVID-19 grant schemes administered by the Council during 2020/21. They show how much of each grant was spent in year and how much will be spent in 2021/22, in line with government conditions

General Grants

	The Council Acting as Principal			The Council Acting as Agent	Total Grants
	Expenditure as at 31 March 2020	Grant remaining as at 31 March 2020	Total Grant		
	£,000	£,000	£,000		
General Grants:					
COVID - 19 Local Authority Support Grant	46.6	0.0	46.6	0.0	46.6
Taxation Income Guarantee	0.0	19.2	19.2	0.0	19.2
Sales Fees and Charges Support Grant	12.4	0.0	12.4	0.0	12.4
COVID-19 New Burdens Funding	0.4	0.0	0.4	0.0	0.4
Total Credited to taxation and non-specific grant income	59.4	19.2	78.6	0.0	78.6

Grants Credited to Services

	The Council Acting as Principal			The Council Acting as Agent	
	Expenditure as at 31 March 2020	Grant remaining as at 31 March 2020	Total Principal	Total Agency	Total Grant
	£,000	£,000	£,000	£,000	£,000
Credited to services:	0.0	0.0	0.0	0.0	0.0
Infection Control	1.7	0.0	1.7	4.5	6.1
Workforce Capacity Fund	1.2	0	1.2	0.0	1.2
Rapid Testing Fund	0.8	0	0.8	0.0	0.8
LA Framework / Practical Support for those Self-Isolating	0.0	0.2	0.2	0.0	0.2
Community Testing	1.2	0.0	1.2	0.0	1.2
Council Tax Hardship Grant	0.6	0.0	0.6	6.8	7.5
Coronavirus Outbreak Management Fund	1.8	18.3	20.1	0.0	20.1
Cultural Recovery	0.9	0.0	0.9	0.0	0.9
Covid 19 - Community Champions	0.1	0.5	0.6	0.0	0.6
Local Authority Compliance and Enforcement Grant	0.5	0.0	0.5	0.0	0.5
National Leisure Recovery Fund	0.5	0.9	1.4	0.0	1.4
Domestic Violence	0.1	0.0	0.1	0.0	0.1
Local Welfare Assistance Fund	1	0.0	1	0.0	1
Clinically Extremely Vulnerable	0	1.6	1.6	0.0	1.6
Winter Grant Scheme / Easter Hardship Fund	3.5	0	3.5	0.0	3.5
Next Step Accommodation Grant	2	0.0	2	0.0	2
Emergency Support for Rough Sleepers	0.1	0.0	0.1	0.0	0.1
Test and Trace Support Payments Grant	0.2	0.8	1.1	0.8	1.8
Reopening High Streets Safely Fund	0.2	0.0	0.2	0.0	0.2

Grants Supporting Businesses

	The Council Acting as Principal			The Council Acting as Agent	Total Grant
	Expenditure as at 31 March 2020	Grant remaining as at 31 March 2020	Total Principal	Total Agency	
	£,000	£,000	£,000	£,000	
Support to business:	0.0	0.0	0.0	0.0	0.0
Expanded Retail Discount	0.0	148.5	148.5	0.0	148.5
Local Authority Discretionary Grant Fund	5.4	0.0	5.4	0.0	5.4
Additional Restrictions Grant	8.9	7.7	16.6	0.0	16.6
Business Support Grant (Small Business Grant Fund and Retail Hospitality and Leisure Grant Fund)	0.0	0.0	0.0	105.9	105.9
Local Restrictions Support Grant (various)	0.0	0.0	0.0	53.9	53.9
Closed Business Lockdown Payments	0.0	0.0	0.0	21.1	21.1
Christmas Support Payments	0.0	0.0	0.0	0.2	0.2
Total service specific	30.6	178.5	209.1	193.2	402.3
Total all grants	90	197.7	287.7	193.2	480.9

The accounting treatment of these grants is varied. The principal elements of £287.7m are included within note 16 (£78.6m) and note 17 (£209.1m). The amounts carried forward £197.7m are included in the Balance Sheet usable reserves Note 40.

The Agency elements of £193.2m are fully spent in 2020/21 except for the Local Restriction Support grants (£14.049m unspent) and Closed Business Lockdown Payments (£1.229m unspent). The funds remaining at 31 March are included in the Councils Balance Sheet (Short Term Creditors).

General Fund Revenue Outturn 2020/21

- Underspend of £3.9m against latest budget.
- General Fund Reserve as at 31 March 2021 = £26.8m.
- The table below shows our year-end position compared to budget. The variance is broken down over COVID-19 related pressures and other variances
- Further details in Accounts Narrative Report and Revenue Outturn Report to 2 June Executive

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	Revised Budget	Outturn
	£m	£m
Total Available Resources	(871.1)	(859.5)
Total Corporate Budgets	257.4	253.6
Children's Services	135.7	133.9
Adult Social Care	235.2	239.3
Homelessness	17.8	25.2
Corporate Core	97.5	101.8
Neighbourhoods	114.7	127.9
Growth and Development	12.8	16.0
Total Directorate Budgets	614	644
Total Use of Resources	871	898
Total over / (under) spend	0.0	38.1
COVID 19 Government grant income (tranche 1 to 4) - Confirmed		
COVID-19 Sales Fees and Charges grant Income - Forecast		
Reprofile the use of reserves		
Net over / (under) spend		

Memo: Breakdown of Variance		
COVID	Other over / underspends	Total Variance
£m	£m	£m
14.9	(3.3)	11.6
0.0	(3.8)	(3.8)
1.0	(2.8)	(1.8)
8.3	(4.2)	4.1
5.2	2.3	7.4
5.6	(1.4)	4.2
16.2	(3.0)	13.2
4.8	(1.7)	3.1
41.0	(10.7)	30.3
41.0	(14.6)	26.5
55.9	(17.8)	38.1
(64.8)		(64.8)
(12.4)		(12.4)
35.2		35.2
(13.9)	(17.8)	(3.9)

2020/21 - Key Variations from budget

Available Resources £11.648m shortfall (overspend) – mainly due to a £14.910m loss in dividend income from the Manchester Airport Group due to the impact of COVID restrictions. The dividend loss is partly offset by an increase on the retained business rates budget due to the late announcement of notional Public Health allocations for 2020/21, increase on other specific grants and New Burdens funding and investment estate income from Arndale Centre and Manchester Central events income.

Corporate Budgets £3.815m underspend- underspend on budgets to be allocated including the pension contribution reduction, utility savings and delay to investments, contingency budget released as not required and underspend on historical pension costs.

Children's Services £1.755m underspend - The £1.755m underspend for Children's Services is 1.3% of the £135.666m budget and indicates early achievement of some of the 2021/22 savings. Our Children placements (budget £47.8m, underspend £0.473m) , Children's Safeguarding Service Areas (budget £43.805m, underspend £0.768m) , Permanence and Leaving Care placements (budget £18.345m, underspend £2.427m), Children's Strategic Management and Business Support (budget £4.785m, overspend £31k). Education Services (budget £20.931m, overspend £1.882m)

Adults Social Care £4.064m overspend - In-house Learning Disability Supported Accommodation overspend of £2.422m from ongoing and rising needs for care and support, residential and nursing overspend £5.994m, mental health services of £277k offset in part by other underspends in Reablement service of £1.531m and Homecare £477k, and by £71k underspend on services outside the MHCC pool.

2020/21 - Key Variations from budget

Homelessness £7.423m overspend - Overspend consists of £5.153m on Covid-19 response, Disbursed accommodation and Bed and Breakfast Accommodation £1.772m, bad debt provision increase £1m to capture the impact of the Universal Credit roll out which resulted in a shortfall in housing costs met by benefits, which is partly offset by an underspend on support serviced of £502k.

Corporate Core £4.220m overspend – Overspends on ICT of £3.740m project funded revenue and additional equipment to support flexible working due to Covid-19, Revenue and Benefits overspend of £1.513m due to reduced court fee income because of Covid –19 closures, offset in part by employee budget savings due to vacancies.

Neighbourhoods and Highways £13.205m overspend – Neighbourhoods Services £10.312m overspend mainly due to Manchester Markets underachievement £5.138m due to Covid-19 closures, £3.465m Parks, Leisure Youth and Events overspend due to support provided to Greenwich Leisure Limited (GLL) to cover the fixed cost of the Council's leisure and sports facilities and income loss, £1.873m Advertising income loss. Highways overspend of £2.893m made up reduced off street carparking income, increased bad debt provision and additional CCTV costs. Offset in part by underspends on Accident and Trips due to reduced numbers of claims and employee savings in Manchester Contracts through vacant posts.

Growth and Development £3.133m overspend- Overspend due to shortfall from reduced investment estate income £1.652m, £0.576m overspend in facilities management, £0.588m Income shortfalls in Taxi Licensing, Premises Licensing and Building Control being partly offset by additional Planning income.

Housing Revenue Account (HRA)

Outturn 2020/21

- Includes:
 - Costs of owning and maintaining properties which are let to tenants (15,655 dwellings).
 - Rental income from Council owned houses including those managed under a Private Finance Initiative (PFI) contract.
- Outturn position is an **underspend of £8.576m**. Transfer of £1.724m to reserves against a budgeted call on reserves of £9.593m

• Main variations:

Significant slippage in the capital programme, largely due to Covid

Reduced PFI costs due to delays in anticipated capital works

Increased rental income as a result of a reduced number of Right to Buy sales due to Covid

- Funding set aside for fire safety measures through the installation of sprinkler system within council tower blocks in 2020/21 - £13.161m
- Reduced PFI costs - £1.518m
- Higher depreciation - £0.828m
- Reduced bad debt provision - £0.438m
- Reduced insurance contribution - £0.3m

Capital Outturn 2020/21

- 2020/21 capital expenditure included in the accounts is £335.7m

Manchester City Council programme	Capital Budget for 2020/21 £m	Capital expenditure in 2020/21 £m	Overspend or (underspend) for 2020/21 £m
Highways	53.8	46.2	(7.6)
Neighbourhoods	10.8	4.9	(5.9)
Growth and Development	87.6	72.0	(15.6)
Town Hall refurbishment	34.6	30.0	(4.6)
Housing – private sector	13.9	14.6	0.7
Housing – HRA	16.1	17.6	1.5
Children's Services	37.2	32.1	(5.1)
ICT	3.8	3.5	(0.3)
Corporate Services	115.4	114.8	(0.8)
Total	373.3	335.7	(37.6)

- Details can be found in:
 - Accounts Narrative Report
 - Capital outturn report – 30 June Executive
 - Note 31 to the accounts on capital expenditure and financing

Capital spend and financing 2020/21

The following table shows how we funded our **capital spending of £335.7m** in 2020/21 from the different types of income received.

	2020/21 £m
Borrowing	180.8
Government Grants such as Basic Need funding from the Department for Education to fund additional school places	63.3
External Contributions such as contributions from Transport for Greater Manchester to support transport initiatives	35.5
Capital Receipts from the sale of Council properties and loan repayments	21.4
HRA Major Repairs Reserve	15.9
Revenue Contributions by the Council	18.8
Total	335.7

Comprehensive Income and Expenditure Statement (CIES)

Table below shows General Fund overspend and HRA underspend as reported in the Outturn report and how this links to the notional surplus in the CIES.

	General Fund	HRA	Total
	£m	£m	£m
Over / (Under)spend	(5.5)	(20.4)	(25.8)
Budgeted transfer (to) / from general reserves	1.6	18.6	9.8
Net transfer (to) / from general reserves	(3.9)	(1.7)	(5.6)
Transfers (to) / from earmarked reserves	(220.6)	0.0	(220.6)
Other income and expenditure classification	36.8	(36.8)	0.0
Notional accounting adjustments	149.9	22.5	172.5
Deficit / (Surplus) per CIES	(37.7)	(16.0)	(53.7)

Movement in Reserves Statement

- Explains the movement in the Council's usable and unusable reserves during the year.
- Useable reserves are cash backed and are available to spend
- MCC use them to manage risk across the financial years and they are an important tool in ensuring sound financial management
- They are categorised as:
 - earmarked – for a specific purpose - includes unspent grants, risk reserves, unapplied capital receipts, PFI reserves, schools balances
 - Unearmarked – general reserves, held as contingency
- Unusable reserves – reflect accounting entries and typically are not financed and therefore not available for spending.

Usable Reserves

The reserves should be viewed in the context of the future budget position, which is extremely challenging. The reserves appear **artificially high** due to the accounting treatment of business rates reliefs and losses, and the government funding provided to reimburse such losses. Reserves for this purpose total £167.7m

In general:

- Usable reserves – Can be used to fund capital/revenue expenditure.
- The majority of the Council's reserves are earmarked for specific purposes.
- The General Fund (GF) balance is the only non earmarked reserve (c£26.8m). Fully depleting the GF reserve would leave the council in an extremely vulnerable position and unable to manage in-year risks. This was increased from £21.4m to £26.8m recognising the scale of the budget cuts being delivered and uncertainty facing the Council in the future.
- The reserves enable the Council to smooth investment, including facilitating the spread of one-off government funding to support expenditure over 2 to 3 years
- The reserves provide some resilience for future risks and budget pressures
- Overall the position on reserves over the next 5 years is forecast to reduce significantly by 1 April 2025, including £53m of reserves already committed for COVID-19 impact. The remaining useable reserves by the end 2024/25 (including Insurance and Statutory Reserves) is estimated to reduce to £98m.
- The HRA is a ring-fenced reserve with a significant commitment to future capital expenditure and cannot be used to support the Council's General Fund budget.
- School reserves are not available to the Council

The movement in reserves since last year is mainly due to increases in the reserves set aside to fund capital expenditure in future years as part of the planned capital programme which includes capital receipts, capital grants unapplied and other capital reserves to fund capital schemes for both the general fund and HRA.

Usable Reserves

Type of Reserve	Re-stated 1 April 2020	31 March 2021
	£m	£m
Capital (can not be applied to revenue spend):		
Reserves held for capital purposes including capital receipts and capital grants unapplied	203.3	194.0
Sub Total	203.3	194.0
Revenue:		
Statutory reserves that have to be set aside e.g. On street parking reserve, bus lane enforcement	25.0	20.3
Reserves held for PFIs to meet contracted future costs	2.1	2.2
Reserves held to smooth risk or for assurance including the insurance reserve of £18.6m and airport dividend reserve of £50m	117.8	128.1
Business Rates Reserve	25.5	23.4
Revenue reserves held to support capital including the Capital Fund	116.8	135.2
Reserves held to encourage economic growth or for public sector reform e.g. Our Manchester reserve, Town Hall reserve	30.8	25.8
Small specific reserves	4.3	4.3
Grants and contributions held to meet expenditure commitments over more than one year	8.2	21.0
COVID-19 related Grants and contributions held to meet expenditure commitments over more than one year	18.2	197.7
Sub Total Earmarked Revenue Reserves	348.7	557.9
Housing Revenue Account reserve	109.4	111.2
General Fund reserve	21.4	26.8
Schools reserves (these belong to schools and are for their use only)	11.7	21.5
Total usable reserves	694.6	911.4
Amounts relating to the carry forward of COVID-19 related Funding	(18.2)	(197.7)
Total excluding COVID-19 carry forwards	676.4	713.7

Unusable Reserves

Unusable Reserve	Re-stated 1 April 2020 £m	31 March 2021 £m
Revaluation Reserve	1,273.1	1,367.9
Financial Instruments Revaluation Reserve	13.0	10.3
Pensions Reserve	(689.6)	(1,060.0)
Capital Adjustment Account	1 296.4	1,397.1
Deferred Capital Receipts Reserve	3.6	3.9
Financial Instruments Adjustment Account	(4.3)	(4.9)
Collection Fund Adjustment Account	15.8	(177.0)
Short-term Accumulated Absences Account	(5.8)	(6.7)
Dedicated Schools Grant Reserve	(4.3)	(2.3)
	1,898.0	1,528.2

Balance Sheet

- Shows the total assets, liabilities and reserves (net worth) of the Council
- Overall, the net worth of the Council has decreased by £153m during 2020/21, made up of a decrease in unusable reserves (£369.8m) and an increase in usable reserves (£216.8m).

Assets	£000	Liabilities	£000
Council Dwellings	623,195	Borrowing	763,230
Other Property and Equipment	2,103,128	Provisions for Future Liabilities	286,711
Heritage Assets	635,802	Liability for Pension Scheme	973,598
Investment Properties	474,953	Capital Grants Received in Advance	9,420
Other Assets	54,404	Money owed by the Council	261,911
Investments	151,367		
Money owed to the Council	691,674		
Total	4,734,524	Total	2,294,870
	Net Worth of the Council		2,439,653

Financed By	
Reserves position	£000
Usable Reserves	911,408
Unusable Reserves	1,528,245
Total	2,439,653

Group Financial Statements

The Group Accounts are being finalised and incorporate the accounts of Manchester Airport Group (MAG) and Destination Manchester Ltd (Manchester Central).

The accounts for each entity are complete, however, the local authority accounts require different valuation information from our own valuers.

Loss of capacity at MAG due to furlough and the need for them to finalised their accounts with a different valuation basis, in part to satisfy bondholders has been their priority.

It is always tight to receive this and with the restrictions in place this year it has been really difficult.

Both organisations have gone through their external audit process and accounts agreed on a going concern basis.

In 19/20 this consolidation presented an audited group balance sheet of £3,360.4m. moving from the Councils Balance sheet of £2,596.8m on consolidation.

Group Financial Statements

Headline Figures:

- Manchester Holdings Limited (MAHL) had a turnover for the year of **£179m** in year 2020/21. This represents an unfavourable movement of **£714.8m** in comparison to the **£893.4m** that was recorded at the end of 2019/20
- MAHL made a loss of **£404m** for year 2020/21. This represents an unfavourable movement of **£458.8m** in comparison to the **£54.8m** profit that was recorded at the end of 2019/20.
- Destination Manchester's turnover for the year 2020/21 is **£12.78m** compared to a turnover of **£19.49m** representing an unfavourable movement of **£6.71m**
- DML made a loss of **£0.185m** for the year 2020/21 compared to a loss of **£0.334m** in 2019/20 representing a favourable movement of **£0.149m**.

Group Financial Statements

Headline Figures:

- Net assets/ Total Equity of MAG £998m (2020/21) £1.346bn (2019/20).
- Net assets/ Total Equity of DML £10.186m (2020/21) £19.619m (2019/20)

- **MAG - Performance**

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Passenger numbers for the year were almost 90% down on the previous year. Across the Group, airports served 6.3m passengers in FY21, compared to 59.6m in FY20. This severe reduction in passenger numbers due to public health restrictions is reflected in MAG's financial performance, with revenue down by £714.8m (80.0)% at £178.6m compared to prior year (2020: £893.4m). This impact has been felt across all areas of the business. Aeronautical revenues were 79.4% lower this year compared to FY20. The majority of airport car parks have remained closed over the last year, and parking bookings have been running at only 9% of usual levels. Similarly, many retail partners have either remained closed or had extremely limited operations, resulting in revenue reductions of 80%

Item 6

Manchester City Council Report for Resolution

Report to: Audit Committee – 27 July 2021
Executive – 30 June 2021

Subject: Capital Programme Outturn 2020/21

Report of: The Deputy Chief Executive and City Treasurer

Summary

This report informs members of:

- (a) The outturn of capital expenditure for 2020/21.
- (b) The financing of capital expenditure for 2020/21.
- (c) The major variances between the 2020/21 outturn and the previous Capital Programme monitoring report submitted in February 2021.
- (d) The revised capital programme budget for 2021/22 and subsequent years as a result of the review of the programme following outturn.

Recommendations

The Executive is requested to:

1. To recommend that the Council approve the virements over £0.5m between capital schemes to maximise use of funding resources available to the City Council set out in Appendix B.
2. Note the outturn of capital expenditure 2020/21 was £335.7m.
3. Note the changes to the outturn attributable to movement in the programme that occurred after the previous monitoring report to Executive in February 2021.
4. Approve virements under £0.5m within the capital programme as outlined in Appendix B.
5. Note the decisions of the Deputy Chief Executive and City Treasurer regarding the funding of capital expenditure in 2020/21 including the use of £98.8m Grants and Contributions, £21.4m Capital receipts, £34.7m Revenue funding and £180.8m Borrowing.
6. Note the revised capital programme for 2021/22 shown in Section 9 and Appendix D.

Wards Affected: All

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

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

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

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

- Equal Opportunities Policy

- Risk Management
- Legal Considerations

Financial Consequences – Revenue

All Revenue consequences are included in the Revenue Budget Outturn report.

Financial Consequences – Capital

The Capital Outturn 2020/21 for Manchester City Council is £335.7m compared to the revised budget of £373.3m submitted to Executive in February 2021.

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Background documents (available for public inspection):

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

- Report to the Executive 3rd June 2020 - Capital Programme - Capital Programme Update
- Report to the Executive 3rd July 2020 - Capital Programme - Capital Programme Update
- Report to the Executive 29th July 2020 - Capital Budget Review and Programme Monitoring 2020/21
- Report to the Executive 29th July 2020 - Capital Programme - Capital Programme Update
- Report to the Executive 9th September 2020 - Capital Programme - Capital

Programme Update

- Report to the Executive 14th October 2020- Capital Programme – Capital Programme Monitoring 2020/21 - Period 5
- Report to the Executive 14th October 2020 – Capital Programme – Capital Programme Update
- Report to the Executive 11th November 2020 – Capital Programme – Capital Programme Update
- Report to the Executive 20th January 2021 – Capital Programme – Capital Programme Update
- Report to the Executive 17th February 2021 – Capital Strategy and Budget 2020/21 to 2024/25
- Report to the Executive 17th March 2021 – Capital Programme – Capital Programme Update

1. Introduction

1.1. The purpose of the report is to:

- Inform the Executive of the capital outturn position for 2020/21 including total expenditure and funding;
- Confirm that funding sources have been managed to best utilise resources available to fund the capital programme; and
- Present a revised capital programme for the 2021/22 financial year after taking into account the final outturn position as reported.

1.2. A summary of each part of the programme is included within the report, providing details on the major projects. This is presented alongside a summary of the outturn position, and as a result any changes to the budget that are required.

1.3. Appendix A provides a detailed review of the activities undertaken by portfolio area since the last report, and explains the variances to budget for 2020/21. Appendix B details the virements requested across the Capital Programme since Executive approved the capital budget in February 2021. Appendix C shows the outturn position for the Council's prudential indicators. Appendix D details the full revised capital budget for each project, taking into account the virements requested, the new budgets introduced, and any re-profiling between years.

2. Contributing to a Zero-Carbon City

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

3. Capital Budget

3.1. The Executive approved the Capital Budget for the period 2020/21 to 2024/25 in February 2021. Separate reports to both February and March Executive's including budget increases. The revised capital budget including those increases but before the changes proposed in this report is shown below:

Capital Programme 2020-2025 (£m)	2020/21	2021/22	2022/23	2023/24	2024/25	Total Programme
Capital Budget (Feb 21)	372.0	447.1	331.8	135.1	36.3	1,322.3
Capital Programme Budget Update (Approved Feb 21)	0.5	32.9	0.0	0.0	0.0	33.4
Capital Programme Update (Approved March 21)	0.8	8.5	0.5	6.4	0.0	16.2

Revised Capital Budget	373.3	488.6	332.3	141.5	36.3	1,372.0
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- 3.2. The figures shown above include those approved by the Executive Member for Finance and Human Resources and the Deputy Chief Executive and City Treasurer under delegated powers since the report to Executive in February.

4. Capital Outturn 2020/21

- 4.1. The final spend position for the Manchester City Council Capital Programme in 2020/21 is £335.7m compared to a revised budget of £373.3m. The variations, by service area, are shown in the table below.
- 4.2. The tables in the appendix to this report show the budget approved by the Executive in February 2020 as part of the budget process, alongside the current revised budget and the outturn. The intention is that, by including this information, there is clarity regarding how the budget for 2020/21 has changed across the period.

Capital Programme 2020/21 Outturn

Manchester City Council Programme	Budget set in Feb 2020 £m	Revised Budget £m	Outturn £m	Variance £m
Highways	58.8	53.8	46.2	-7.6
Neighbourhoods	16.7	10.8	4.9	-5.9
Growth and Development	119.0	87.6	72.0	-15.6
Town Hall Refurbishment	49.1	34.6	30.0	-4.6
Housing – General Fund	22.6	13.9	14.6	0.7
Housing – Housing Revenue Account	38.8	16.1	17.6	1.5
Children's Services	29.5	37.2	32.1	-5.1
ICT	5.7	3.8	3.5	-0.3
Corporate Services	38.2	115.6	114.8	-0.8
Total	378.4	373.3	335.7	-37.6
Reprofiling				-35.3
Cost Variations				-0.6
Net over (under) spend				-1.7

- 4.3. The outturn position for the 2020/21 financial year is relatively high when compared to the average outturn of £266m over the past three years, and represents the continued significant investment in Manchester with over 220 live projects progressing during the year, a major achievement given the impact of the pandemic.

5. COVID-19 impact on the Capital Programme

- 5.1. The COVID-19 pandemic has, and will continue to have, a wide-reaching impact on the Council's capital programme. The impact on the 2020/21 programme has been highlighted in previous reports to the Executive, with an initial pause across

construction activity after which work resumed on major sites relatively quickly.

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

6. Summary of Main Variances to the Revised Budget

- 6.1. The main changes to the programme since the report to Executive in February 2021 are as follows:

- Highways – With evening and weekend work not required due to the quiet road network, additional costs have been avoided creating savings for the Highways Maintenance Programme. As a result, £1.4m will be moved into 2021/22 to be used against the future programme.
- Neighbourhoods - As noted in earlier Executive reports, issues relating to COVID-19, Brexit, and their impact on the supply chain has led to the delivery of the Electric Refuse Collection vehicles taking longer than anticipated. As a result, a total of £5.1m will be reprofiled into next financial year. By the end of May, 6 of the vehicles had been delivered.
- Strategic Development – The Northern Gateway project team are in a process of negotiation with Far East Consortium (FEC) to finalise the Loan Facility Agreement. Completion was targeted for March 2021 however, negotiations on the finer details of certain clauses have taken longer than anticipated leading to slippage of £6.7m into future years.
- Our Town Hall Project - A total of £4.6m will be reprofiled into next financial year due to unspent contingency in 2020/21 and a number of work packages starting on site later than originally anticipated.
- Public Sector Housing - Across the Northwards Programme, a total of £1.5m will be accelerated into 2020-21 due to better progress being achieved than originally anticipated.
- The contractor for the Roundwood Road project within the SEN programme overestimated their spend profile in the early stages of the works. This coupled with some setbacks due to COVID-19 has resulted in £1.5m to be reprofiled into next financial year.

- 6.2. Major variances by service area are detailed in appendix A.

7. Capital Financing 2020/21

- 7.1. The funding of the 2020/21 Capital Programme is summarised below:

	£m	%
Capital Expenditure	335.7	
Financed by:		

Government Grants	63.3	18.8%
Other External Contributions	35.5	10.6%
Capital Receipts	21.4	6.4%
Revenue Funding	18.8	5.6%
HRA Major Repairs Reserve	15.9	4.7%
Borrowing	180.8	53.9%

7.2. The Executive is asked to note the following decisions made by the Deputy Chief Executive and City Treasurer regarding the funding of the capital expenditure incurred in 2020/21.

- (a) Any unused grant, subject to conditions, has been carried forward into 2021/22 and will be matched against future spend. The programme was managed to ensure that any grant with a risk of claw back due to time constraints or other factors was fully utilised in 2020/21. Similarly, any external contributions that have not been used will be carried forward into 2021/22.
- (b) The balance of available capital receipts carried forward from 2019/20 was £96.8m. A further £18.6m receipts were received in 2020/21 including pooled receipts. Drawdown from capital receipts was £21.4m leaving a balance for use in future years of £94.0m, of which £69.1m relate to Housing, plus any new receipts generated in 2021/22.
- (c) Revenue contributions were used to finance expenditure of £18.8m, including works on the Factory Project, various Highways projects and the HRA.
- (d) The Major Repairs Reserve funds expenditure on the HRA capital programme. The use of this reserve includes self-financing revenue from the HRA revenue budget.
- (e) Borrowing of £180.8m has been used to fund the programme. The borrowing figure represents the amount to be funded by borrowing in the long term, however, in practice was internally borrowed as no significant long term external debt was taken in 2020/21.
- (f) The minimum revenue provision for 2020/21 was £25.7m. This is the funding set aside to repay the debt incurred through funding previous capital expenditure through borrowing. This has been funded from the Council's capital financing budget.

8. Capital Programme Re-phasing and Variations

8.1. Based on the monitoring information above, it is proposed that the capital

programme budget is re-phased to reflect the planned delivery of projects in 2021/22 to 2024/25. The cumulative impact of these adjustments are shown in the table below. The figures below also show the budget increases approved by Executive on 2nd June 2021. The future programme will be reviewed throughout 2021/22 to reflect changes to the proposed profile of spend.

Proposed Capital Programme variations 2020/21 to 2024/25

	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	Total Programme £m
Revised Capital Budget (March 2021)	373.3	488.6	332.3	141.5	36.3	1,372.0
Forecast Re-profile	-35.3	-15.5	26.9	7.0	16.8	0.0
Cost Variations	-0.6	-3.1	-7.6	0.0	0.0	-11.3
Proposed Capital Budget	337.4	470.0	351.6	148.5	53.1	1,360.7
Budgets approved by Executive 2 nd June 21	0.0	4.2	1.9	5.6	0.0	11.7
Revised Capital Budget	337.4	474.2	353.5	154.1	53.1	1,372.4

Virements in 2020/21

- 8.2. Various schemes across the programme require virements in 2020/21 and future years, as shown in Appendix B.
- 8.3. The Council is recommended to approve virements over £0.5m within the capital programme as outlined in Appendix B.
- 8.4. The Executive is recommended to approve virements under £0.5m within the capital programme as outlined in Appendix B.

9. Capital Programme Forecast for 2021/22 and future years

- 9.1. If the virements set out above are approved, the revised capital programme for 2021/22 and future years is shown in the table below:

Manchester City Council Programme	21/22	22/23	23/24	24/25
	£'m			
Highways	57.7	16.6	2.2	0.0
Neighbourhoods	36.5	33.6	14.9	0.0
The Factory and St John's Public Realm	56.5	32.6	0.0	0.0
Growth and Development	93.7	63.6	31.3	5.0
Town Hall Refurbishment	70.9	76.8	62.5	39.9
Housing – General Fund	15.9	11.6	11.0	2.7

Housing – Housing Revenue Account	27.7	46.3	15.0	5.5
Children's Services	44.3	13.9	0.0	0.0
ICT	7.0	6.8	0.0	0.0
Corporate Services	19.0	9.8	2.8	0.0
Total (exc. contingent budgets)	429.2	311.7	139.7	53.1
Contingent Budgets	45.0	41.8	14.4	0.0
Total	474.2	353.5	154.1	53.1

- 9.2. The figures above will change, should the recommendations in the Capital Update report elsewhere on the agenda be approved.
- 9.3. The forecast budget for 2021/22 is ambitious compared to previous annual expenditure. This reflects the need to progress capital investment as part of the post-COVID-19 recovery and the number of significant projects which are expected to progress during the year. The Capital Budget is prepared on the best estimate of the spend profile for each scheme across its life and as the scheme develops this may change. All projects carry risk such as delivery risk, third party risk and market risk, including build cost and inflation which will impact on their overall cost.
- 9.4. The large-scale projects due to begin in 2021/22 include the refurbishment of Abraham Moss Leisure Centre, the Manchester Aquatics Centre Refurbishment, the Housing Infrastructure Fund and Northern Gateway works, Coop Academy Belle Vue and Gorton Health Hub. As these are in their early stages, the estimated start dates are likely to change leading to a variation against the in-year budget. Any further COVID-19 impacts could also change project plans and timelines. This may create further variations against the in-year budget, but not the overall budget for the project.
- 9.5. In the above table, contingent budgets have been shown separately. These include the remaining Manchester Airport Group support which may not be required in 2021/22, the inflation budget which would require further approvals before it could be used, and other unallocated programme budgets including the ICT investment plan, Education Basic Need and the Northwards Housing Programme which is not yet allocated to specific schemes. The budget will change as new schemes will be added throughout the year, and specific projects funded through the contingent budgets are brought forward through the Council's capital approval process.
- 9.6. Scheme costs will be kept under close review. Whilst the transition from the European Union (EU) saw no direct charges on construction or construction products there are administrative burdens, for example changes to the way British businesses import materials, hire people, and procure from the EU which could add to the overall costs. The economic impact of the pandemic on inflation

is still uncertain. In general, the North West (NW) regional activity is expected to cool off as companies try to protect their long-term order books, although the level of activity in Manchester is expected to perform better than other regions. Future prices will be very much dependent on how deep the effects of the recession are and how long the economic recovery takes.

- 9.7. Whilst there has been an improving picture for construction activity in the first quarter of 2021, this has been tempered by widely reported materials shortages and labour shortages affecting productivity. The forecast is difficult to identify as it is early in the recovery from the pandemic and COVID-19 related pressures as noted above, will take time to monitor the effects. Whilst the recovery will be slow over 2021, prices are expected to rise less than 1% in the year to 3rd quarter 2021. Prices will increase, with less contractors in the market (liquidations due to COVID-19, and the withdrawal of COVID-19 government support), tender prices are therefore forecast to rise ahead of input costs, by around 4% for the NW. This will vary for each project. The Council's capital strategy includes provision for inflation to be allocated when appropriate.
- 9.8. The approach to capital monitoring for 2021/22 financial year will also change, with a greater emphasis on the activities and risks of the major projects. The capital monitoring reports will not seek to re-profile budgets across financial years, but rather consistently compare to the in year budget detailed above as well as any additions reported throughout the year. Officers will continue to review the forecast for 2021/22 to ensure it remains achievable and any significant variances will be reported to the Executive.

10. Social Value

- 10.1. All capital business cases are required to provide information on social value impact generated as part of the scheme. These include details of employment of local residents, training of local residents, improvements in key health outcomes, support of community cohesion, improvement in key education outcomes, help to other excluded groups and promoting environmental sustainability. These are considered as part of the scheme approval process via the Checkpoint system. Work is on-going as part of improving overall contract monitoring to improve the monitoring of these activities.

11. Prudential Indicators

- 11.1. The prudential indicators as at the end of March 2021 are shown at appendix B.

12. Contributing to the Our Manchester Strategy

(a) A thriving and sustainable city

The capital programme contributes to various areas of the economy, including investment in public and private sector housing, education and children's social

care, transport infrastructure, major regeneration activities, environmental, cultural and leisure services.

(b) A highly skilled city

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

(c) A progressive and equitable city

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

(d) A liveable and low carbon city

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

(e) A connected city

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

13. Key Policies and Considerations

(a) Equal Opportunities

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

(b) Risk Management

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

(c) Legal Considerations

None.

Appendix A – Detailed Review of Capital Programme 2020/21

1. This appendix provides a detailed review of the activities undertaken since the last report, and explains the reasons for variance to the budget.

2. Highway Services Programme

2.1. The schemes within the current Highways portfolio include the highways improvement investment fund, projects to improve and increase the use of cycle routes which relieve congestion and reduce air pollution from vehicle emissions, improvements to pedestrian access in areas in the City, improvements to safety measures and schemes to reduce energy consumption for street lighting.

2.2. The main variances from the original budget set in February 2020 and before the proposals noted in this report are as follows:

- Throughout the year, a number of Highways projects have been approved by the Executive or the Deputy Chief Executive and City Treasurer under delegated powers, to be funded through the Mayor's Challenge Fund (MCF). The total revised budget for MCF schemes in 2020/21 is £6.9m.

2.3. The Highways capital programme has spent £46.2m compared to a revised budget of £53.8m, a variance of £7.6m. The programme is shown in the table below:

Highways	20/21 Budget set in Feb 20 £m	20/21 Revised Budget £m	20/21 Outturn £m	20/21 Variance £m	All Years Budget £m	All Years Forecast £m	All Years Variance £m
Highways Planned Maintenance Programme	27.9	24.7	23.3	-1.4	121.1	121.8	0.7
Great Ancoats Improvement Scheme	6.0	5.7	4.2	-1.5	9.3	8.2	-1.1
Mayor's Challenge Fund Schemes	1.2	6.9	4.7	-2.2	31.0	31.0	0.0
Mancunian Way and Princess Parkway National Productivity Investment Fund (NPIF)	4.1	5.3	4.5	-0.8	9.1	9.1	0.0
Other Projects	19.6	11.2	9.5	-1.7	132.3	132.7	0.4
Total Highways	58.8	53.8	46.2	-7.6	302.8	302.8	0.0
Reprofiling				-6.7			
Cost Variations				0.0			
Net over (under) spend				-0.9			

Activities

2.4. The delivery of projects has continued positively within Highways during the

pandemic. Individual schemes and programmes of capital works have been brought forward where possible to reduce impact on residents with the key route and local road network quiet during lockdown periods. The Planned Maintenance team accelerated their works programme significantly with 817,000 M² of roads resurfaced this financial year. This has also resulted in some cost avoidance where weekend and evening work has not been required.

- 2.5. Throughout 2020/21, permanent walking and cycling infrastructure schemes have been progressed to increase active and sustainable travel which will support organisational and city commitments to be carbon neutral by 2038. Chorlton 1A has been completed and works having commenced on Chorlton 1B, Chorlton 4, Beswick Phase 1, Northern Quarter at Dale / Ducie Street and Thomas Street as part of the Mayors Challenge Fund programme of works. Trial interventions have also been installed in Levenshulme to inform a permanent scheme with works due to commence on the Manchester Cycleway (Fallowfield Loop) and Northern Eastern Gateway by June 2021.
- 2.6. Consultation has commenced on the Wythenshawe Cycleway Active Travel Fund (ATF) project with designs progressing for the City Centre Triangle ATF scheme. Both aim to deliver further permanent walking and cycling infrastructure by March 2022.
- 2.7. In terms of other major Highways' projects, Medlock Street roundabout, Great Ancoats Street, A6 Stockport Road and Hyde Road have all completed this year improving key routes and journey times into the city. The Airport Green Bridge project has also completed, allowing easier geographical access to job opportunities at Manchester Airport for local residents.
- 2.8. The existing Street Lighting PFI project is complete, with 54,371 traditional streetlights replaced with LED units which has saved 10,509 tonnes of carbon. Any future works will be progressed under a new approval.
- 2.9. The School Crossing Programme has now delivered safety improvements across 77 sites in the City. The programme for 2021/22 has been established with works progressing at a further 3 sites and designs progressing on others.

Variances – All Years

- 2.10. A £0.7m revenue contribution to capital has been made for the patching budget, which will be used in 2021/22 to deliver more of the pothole repairs across the City.
- 2.11. As previously reported, the unspent £1.1m contingency on the Great Ancoats Improvement Scheme has been used to cover the overspend on the Manchester/Salford Inner Relief Road (MSIRR) scheme as per the agreement between the Council and Transport for Greater Manchester (TfGM).

- 2.12. As per the latest spend profile for the SEMMMS A6 scheme, there was spend of £0.2m in 2020/21 that will be covered by grant funding from the Department for Transport (DfT). This project is managed by Stockport MBC.

Variances – In Year

- 2.13. The main variances to the revised budget are:

Highways Planned Maintenance Programme

- The resurfacing works within the Highways Planned Maintenance programme for 2020/21 progressed ahead of programme. The service has taken advantage of reduced traffic volumes due to COVID-19 to significantly accelerate surfacing works. With evening and weekend work not required due to the quiet road network, additional costs have been avoided creating a further saving for the programme. As a result, £0.4m will be moved into 2021/22 to be used against the future programme.
- Similarly, as a result of the above cost avoidance, the drawdown of match funding for highways schemes from the Highways Maintenance Challenge Fund is lower than anticipated, and so £0.6m will be moved into 2021/22.
- The outcomes from the inspections to date under the Bridge Maintenance programme have identified fewer issues than anticipated and so £0.3m will be reprofiled into 2021/22.
- Other in year variances total £0.1m.

Mayors Challenge Fund schemes

- A total of £0.6m has been moved into the 2021/22 financial year as final agreements on design are made for the Chorlton 1B scheme as a result of the inclusion of the Stretford Road link following a request from Transport for Greater Manchester (TfGM).
- With works due to commence on both the Manchester Cycleway and the Northern Eastern Gateway schemes, the results of consultation for both schemes are being used to inform the route and designs with external financial approval processes required to release funding. Due to this, £0.5m and £0.7m respectively have been reprofiled into next financial year to allow for further development before main scheme construction commences.
- Other in year variances across a number of projects total £0.4m.

Other Projects

- The Medlock Street Roundabout improvement scheme is substantially complete, with a completion certificate yet to be issued. The remaining £0.8m budget from 2020/21 will be moved into next financial year until it is determined how much of this will be required as commercial discussions are

concluded.

- Similarly, the Hyde Road Pinch Point Widening scheme is substantially complete and the final account is expected to be issued in early 2021/22. The remaining £0.3m budget from 2020/21 will be moved into next year until it is determined what is required to close the project.
- Further works are being agreed for the 2021/22 school crossings programme. While the programme budget is expected to be spent in full, £0.9m risk and contingency funding has been reprofiled into future years which can be accelerated if required.

Risks

- 2.14. The Highways programme contains a high number of large and strategically important projects for the highway network and the service is working to ensure that the works can be delivered to the timescales indicated. Works are assessed and scheduled based on the potential network impact in an effort to minimise disruption to commuters wherever possible.
- 2.15. There are inherent risks around external factors such as weather conditions which can hinder the schedule of work. The volatility of the marketplace requires increased due diligence checks when appointing future contractors.
- 2.16. Extensive consultation with stakeholders is undertaken to ensure proper engagement and input into the schemes being delivered, as well as to manage expectations within available budgets and realistic timescales. Current risks around undertaking public consultation during social distancing are being managed through online solutions. The intention of the consultations is to minimise the risk of scope creep and raise awareness of the impact of schemes on journey times. Where need is identified, additional funding opportunities through partners are also routinely explored in order to increase project scope.

3. Neighbourhoods Programme

- 3.1. The Neighbourhoods programme is shown in the table below, and is split across three main themes, the details of which are provided separately below:

Neighbourhoods Capital Outturn 2020/21

	20/21 Budget set in Feb 20 £m	20/21 Revised Budget £m	20/21 Outturn £m	20/21 Variance £m
Neighbourhoods				
Environment and Operations	6.0	6.8	1.7	-5.1
Leisure	10.1	3.6	2.9	-0.7
Libraries	0.6	0.3	0.3	0.0
Total Neighbourhoods	16.7	10.8	4.9	-5.9
Reprofiling				-5.9
Cost Variations				0.0

Net over (under) spend				0.0
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Environment and Operations Programme

- 3.2. The schemes within the Environment and Operations Programme are centred on improving the environment with the main focus on the control of waste disposal and promoting recycling.
- 3.3. The Environment and Operations programme has spent £1.7m compared to a budget of £6.8m, a variance of £5.1m. The programme is shown in the table below:

Environment and Operations	20/21 Budget set in Feb 2020 £m	20/21 Revised Budget £m	20/21 Outturn £m	20/21 Vari - ance £m	All Years Budget £m	All Years Forecast £m	All Years Variance £m
Waste Reduction Measures	1.2	0.8	0.8	0.0	4.7	4.7	0.0
Purchase of electric RCVs	0.0	5.8	0.7	-5.1	9.9	9.9	0.0
Cremator and Mercury Abatement	1.0	0.1	0.1	0.0	1.6	1.6	0.0
Other Projects	3.8	0.1	0.1	0.0	8.6	8.6	0.0
Total Environment	6.0	6.8	1.7	-5.1	24.8	24.8	0.0
Reprofiling				-5.1			
Cost Variations				0.0			
Net over (under) spend				0.0			

Activities

- 3.4. All works are now complete for the installation of Electric Charging points at Longley Lane and Hammerstone Road, with final accounts to be completed for sign off. Installation at Grimshaw Lane is expected to complete in 2021/22.
- 3.5. The first 6 electric refuse collection vehicles have been delivered by early May 2021. All 27 vehicles are expected to be delivered by mid-July, subject to individual vehicle approval testing.

Variances – In Year

- 3.6. All invoices for the electric charging vehicles will be received in 2021/22. As noted in earlier Executive reports, issues with the supply chain, predominantly caused by COVID-19 and Brexit, has led to this delay. As a result, a total of £5.1m will be reprofiled into next financial year.

Leisure Programme

- 3.7. The Leisure Programme provides leisure, sports and park facilities and services to communities across the City to promote health and wellbeing. The programme includes improvements to facilities which are used for events with the intention of also providing an economic benefit.
- 3.8. The main variances since the budget was set in February 2020, and before the changes noted in this report are:
- In March 2020, the Abraham Moss project was paused due to COVID-19. The budget was reprofiled due to a full review of project cost and scope being undertaken before the scheme progressed to the construction phase. The 2020/21 budget became £0.3m.
- 3.9. The Leisure programme has spent £2.9m compared to a budget of £3.6m, a variance of £0.7m. The programme is shown in the table below:

Leisure	20/21 Budget set in Feb 20 £m	20/21 Budget £m	20/21 Outturn £m	20/21 Variance £m	All Years Budget £m	All Years Forecast £m	All Years Variance £m
Parks Programme	3.1	0.3	0.3	0.0	11.4	11.4	0.0
Indoor Leisure – Abraham Moss	6.0	0.3	0.7	0.4	24.7	24.7	0.0
Manchester Aquatics Centre	0.0	0.7	0.0	-0.7	30.5	30.5	0.0
Other Projects	1.0	2.3	1.9	-0.4	46.1	46.1	0.0
Total Leisure	10.1	3.6	2.9	-0.7	112.7	112.7	0.0
Reprofiling				-0.7			
Cost Variations				0.0			
Net over (under) spend				0.0			

Activities

- 3.10. The main contract for the Indoor Leisure - Abraham Moss project has been signed and sealed. Site setup, asbestos removal and demolition works commenced in March 2021, and are expected to complete in August.
- 3.11. The high-level programme for Manchester Aquatics Centre (MAC) has been agreed, as RIBA Stage 3 design work progresses. The project team are in the process of formally appointing the contractor and are also engaging with the Carbon Reduction Programme team regarding the works associated with the enhanced carbon reduction initiatives, with a view to undertaking them as part of this scheme. The intention is that the Public Sector Decarbonisation grant will be used to fund these works, either in full or in part, dependent on the grant timescales aligning with the project plan.

Variances - In Year

- 3.12. Site setup and asbestos removal works are progressing quicker than originally anticipated at the Indoor Leisure - Abraham Moss site, and so £0.4m will be accelerated into 2020/21.
- 3.13. As a decision was made on the affordability of the refurbishment of the Manchester Aquatics Centre in the context of the wider capital programme, the project is now due to start in 2021/22 and so the £0.7m budget will be reprofiled.
- 3.14. There is a requirement to reprofile £0.3m into 2021/22 for the Rugby Football League (RFL) - Beswick Hub project due to discussions on the funding strategy delaying the initial stages of the project.
- 3.15. Other variances within the Leisure portfolio total £0.1m.

Libraries Programme

- 3.16. The library programme seeks to bring up to date accessible technology to communities, provide high quality exhibition areas attracting visitors and residents and create new community meeting spaces.
- 3.17. The Libraries programme has spent £0.3m against a budget of £0.3m, a variance of nil. The programme is shown in the table below:

Libraries	20/21 Budget set in Feb 20 £m	20/21 Revised Budget £m	20/21 Outturn £m	20/21 Vari - ance £m	All Years Budget £m	All Years Forecast £m	All Years Variance £m
Open Libraries	0.3	0.1	0.1	0.0	0.4	0.4	0.0
Other Projects	0.3	0.2	0.2	0.0	2.4	2.4	0.0
Total Libraries	0.6	0.3	0.3	0.0	2.8	2.8	0.0
Reprofiling				0.0			
Cost Variations				0.0			
Net over (under) spend				0.0			

Activities

- 3.18. Site visits have been undertaken by the contractor for the children's library fit out within the Central Library Refresh programme. Work is expected to begin in 2021/22.
- 3.19. In March 2021, Executive approved the refurbishment of Chorlton Library, Manchester's oldest operational branch library. The scheme will remodel the 1970s extension of the building at the rear to introduce another community meeting room, whilst refurbishing the existing meeting room and thus helping to sustain community activity.

Risks

- 3.20. External funding could provide a significant part of budgets to support parks improvements but is subject to lengthy negotiation and is not always successful. The risk profile has been updated to include the ability to secure match funding from external partners including Historic England and the Heritage Lottery Fund. This will be monitored by the programme board.

4. Growth and Development Programme

- 4.1. The Growth and Development programme is shown in the table below, and is split across three main themes, the details of which are provided separately below:

2020/21 Growth and Development Capital programme outturn

Growth and Development	20/21 Budget set in Feb 20 £m	20/21 Revised Budget £m	20/21 Outturn £m	20/21 Variance £m
Culture	55.7	36.5	35.4	-1.1
Corporate Estates	33.4	19.1	17.4	-1.7
Development	29.9	32.0	19.2	-12.8
Total Growth and Development	119.0	87.6	72.0	-15.6
Reprofiling				-14.8
Cost Variations				0.0
Net over (under) spend				-0.8

Culture Programme

- 4.2. The Factory will act as a driver of the next stage of Manchester's and the North's regeneration – with clear cultural, economic, educational and social benefits for the city and the wider region. It will be a new type of venue – one that can commission, produce and present the widest range of opera, dance, theatre, visual arts and popular culture, with an emphasis on new cross-art form collaborations, for a much wider audience than any traditional venue.
- 4.3. Following notice to proceed (NTP) being received, the Factory and St John's Public Realm budgets have continually been reviewed and updated for the revised cash flow from the contractor in line with the latest construction programme and revised fees.
- 4.4. The Culture programme has spent £35.4m compared to a budget of £36.5m, a variance of £1.1m. The programme is shown in the table below:

Cultural	20/21 Budget set in Feb 20 £m	20/21 Revised Budget £m	20/21 Outturn £m	20/21 Variance £m	All Years Budget £m	All Years Forecast £m	All Years Variance £m
The Factory	54.0	36.2	35.2	-1.0	190.2	190.2	1.1
St Johns Public	1.7	0.3	0.2	-0.1	6.7	6.7	-1.1

Realm							
Total Cultural	55.7	36.5	35.4	-1.1	196.9	196.9	0.0
Reprofiling				-1.1			
Cost Variations				0.0			
Net over (under) spend				0.0			

Activities

- 4.5. Work continues to progress at the Factory site, including temporary roofing to towers, temporary weather protection and precast roof infills.
- 4.6. Recommendations to appoint to a number of work packages are expected in April including truck lifts, smaller acoustic doors, fire and acoustic stopping and moveable acoustic partitions. A number of tenders are out to market and expected back in the coming months including flooring, screeding, joinery and architectural metalwork.
- 4.7. A further grant of £22m from Arts Council England to support the Factory project was agreed in March 2021.
- 4.8. Costs for the St John's Public Realm works have been issued to the contractor and once signed and returned the project team will move to appoint two embedded works contractors in line with the supplemental agreement signed with LOR in December 2020. The revised planning submission was submitted in March 2021.

Variances – All Years

- 4.9. Within the Culture programme, there are two main elements to the budget, the main construction budget and a smaller public realm budget. The costs of the Public Realm have now been confirmed and the work will be undertaken as part of the main contract for building. The final costs for Public Realm have resulted in an underspend of £1.1m and therefore, it is requested to vire this underspend from St Johns Public Realm to the main construction budget to fund the additional fees expected to be incurred on the project going forward.

Variances – In Year

- 4.10. There is a requirement to reprofile £1.0m into next financial year for the Factory, due to less contingency being required in 2020/21 than originally forecast.
- 4.11. A total of £0.1m will be moved into 2021/22 for St John's Public realm scheme due to the fee profile being revisited as the programme and costs for the scheme are developed.

Risks

- 4.12. The risk profile for the Factory focuses on ensuring the project is delivered within the revised project timescales and revised budget forecast.

Corporate Estates Programme

- 4.13. The programme supports the provision of fit for purpose accommodation for corporate and community use and proactively maintaining and managing the corporate estate which includes reducing carbon emissions.
- 4.14. The main changes since the budget set in February 2020 and prior to the proposals highlighted in this report are as follows:
- In 2020, a number of schemes across the Asset Management Programme (AMP) were reprofiled into future years due to being on hold or progressing slower than expected as a result of COVID-19. The revised 2020/21 budget is £7.1m.
 - The Hammerstone Road scheme was paused for COVID-19 and as a result, the 2020/21 budget was re-profiled to £1.2m. Executive approved the unpausing of the scheme in July 2020.
 - Similarly, due to COVID-19 all works on site were paused for the Carbon Reduction programme, and a review of the budget completed. Works have now recommenced, and the 2020/21 budget was revised to £3.9m.
- 4.15. The Corporate Estates programme has spent £17.4m compared to a budget of £19.1m, a variance of £1.7m. The programme is shown in the table below:

Corporate Estates	20/21 Budget set in Feb 2020 £m	20/21 Revised Budget £m	20/21 Outturn £m	20/21 Vari - ance £m	All Years Budget £m	All Years Forecast £m	All Years Variance £m
Asset Management Programme	11.7	7.1	5.8	-1.3	20.0	20.0	0.0
Hammerstone Road Depot	9.3	1.2	1.0	-0.2	25.0	25.0	0.0
Carbon Reduction Programme	6.4	3.9	3.8	-0.1	25.8	25.8	0.0
Estates Transformation	6.0	6.2	6.3	0.1	18.3	18.3	0.0
Other Projects	0.0	0.7	0.5	-0.2	24.4	24.4	0.0
Total Corporate Estates	33.4	19.1	17.4	-1.7	113.5	113.5	0.0
Reprofiling				-1.7			
Net over/(under) spends				0.0			
Cost Variations				0.0			

Activities

- 4.16. A large number of projects within the 2020/21 Asset Management Programme (AMP) completed on time, including the National Cycling Centre refurbishment to

RIBA Stage 4, replacement of roof panels at Wythenshawe Forum and the Ghyll Head jetty works. The 2021/22 programme of works has now been agreed.

- 4.17. Meetings with stakeholders continue for the Hammerstone Road Depot, in order to progress the scheme to RIBA Stage 4. Biffa moved into their new temporary accommodation in March 2021. Planning approval is anticipated for July, with commencement to follow in August.
- 4.18. A grant application for £19.1m under the Public Sector Decarbonisation Scheme has been successful, supporting the Council's ambition to remove gas and oil from all Council buildings. Investment grade proposals are currently being produced and contracts drawn up. Work is to be undertaken in 2021/22.

Variances – In Year

- 4.19. Within the Asset Management Programme, there is a requirement to move £1.3m budget into next financial year due to the impact of ongoing protection for COVID-19, and various weather impacts. Work is expected to resume at normal activity levels where possible in 2021/22. Other major variances within AMP include changes to the areas in scope for House of Sport and a longer timescale than envisaged for the National Football Museum works due to specialist unit design and procurement being required.
- 4.20. A total of £0.2m will be reprofiled into 2021/22 for the Hammerstone Road project, due to unspent contingency in year, and lower than anticipated spend on advanced works.
- 4.21. The refurbishment of Alexandra House and car park completed ahead of schedule, meaning £0.1m will be accelerated into 2020/21. The final account will be completed next financial year.
- 4.22. Other in year variances total £0.1m.

Risks

- 4.23. There is a carefully planned rolling programme of activity to assess and address end of life replacements through the Asset Management Programme with close collaboration with Capital Programmes colleagues to ensure momentum is maintained. This may lead to a change in priorities during the year.
- 4.24. The Carbon Reduction programme is retrofitting efficiency measures to existing buildings of varying ages and conditions meaning there is a possibility that unknown items such as sub-standard electrical infrastructure or asbestos could be uncovered. To mitigate this, the programme has allowed for a 15% works contingency. A detailed building by building risk log is being maintained and managed throughout the delivery phase with key risks being escalated to the Carbon Reduction Programme Board, reporting into the Estates Board. A similar

process will be adopted for the Public Sector Decarbonisation phase of works.

- 4.25. A new risk has emerged around the Public Sector Decarbonisation scheme, with the tight timescales to deliver the programme and the risk of potential clawback of funding. A new programme resource structure has been approved and recruitment to posts is underway. Each project within the programme will be managed with a separate governance and risk management structure and tight monitoring of the programme and its delivery will ensure immediate action can be taken to resolve any issues in a timely manner.

Development Programme

- 4.26. The Development Programme seeks to provide sustainable growth and transformation of the City, not only to support internal growth but also to retain international competitiveness by promoting opportunities to develop the City's fabric, infrastructure, business and skills base and connecting local communities to employment opportunities.
- 4.27. Since the budget agreed in February 2020, the Executive have agreed the addition of a number of schemes to the Development Programme, including House of Sport, Piccadilly Gardens Phase 1, the Housing Infrastructure Fund and Mayfield Park. These additional schemes are the main reason for the difference between the original budget and the revised budget.
- 4.28. The Development programme has spent £19.2m compared to a budget of £32.0m, a variance of £12.8m. The programme is shown in the table below:

Development	20/21 Budget set in Feb 20 £m	20/21 Revised Budget £m	20/21 Outturn £m	20/21 Variance £m	All Years Budget £m	All Years Forecast £m	All Years Variance £m
Digital Asset Board (MCDA)	1.5	0.2	0.2	0.0	26.7	26.7	0.0
Strategic Acquisitions Board	3.0	3.3	1.7	-1.6	13.4	13.4	0.0
Northern Gateway	6.7	9.3	2.3	-6.9	75.2	75.2	0.0
Eastern Gateway	0.8	1.8	1.4	-0.4	51.7	51.7	0.0
City Centre	6.6	6.3	5.8	-0.5	67.1	67.1	0.0
Other Growth & Development	11.4	11.1	7.8	-3.3	52.6	52.6	-0.8
Total Development	29.9	32.0	19.2	-12.8	286.7	285.9	-0.8
Reprofiling				-12.0			
Cost Variations				0.0			
Net over (under) spend				-0.8			

Activities

- 4.29. The public consultation on the future of Piccadilly Gardens has now completed. A procurement strategy will soon be determined for appointing the landscape architect and design team to take the scheme to RIBA Stage 3.
- 4.30. Contractors have started on site of the Medieval Quarter and Arena Memorial project, and initial works are underway. Meetings with access groups, families and operators of the Arena are ongoing to discuss plans for the site and progress to date.
- 4.31. Elsewhere within the Strategic Development programme, the acquisition of land on Red Bank, Cheetham has completed. This acquisition will support the delivery of the Housing Infrastructure Fund (HIF) Programme in the Northern Gateway. The land is required to provide access and new road construction to unlock key sites as part of the initial phases of development.

Variances – All Years

- 4.32. Refurbishment works to Heron House and Registrars are now complete, with the final account to be received. A total underspend of £0.8m has been recognised, with £1.1m to be reprofiled into next financial year until it is determined how much of this will be required. A further update will be provided to Executive when the account is finalised.

Variances – In Year

Strategic Acquisitions Programme

- 4.33. For the Strategic Acquisitions programme, £1.6m will now fall into 2021/22. The nature of the programme means that it can be difficult to accurately predict when key acquisition sites will become available.

Victoria North

- 4.34. The Victoria North (formerly Northern Gateway) project team are in a process of negotiation with Far East Consortium (FEC) to finalise the Facility Agreement. Completion was targeted for March 2021 however, negotiations on the finer details of certain clauses have taken longer than anticipated leading to slippage of £6.7m into future years.
- 4.35. Other in year variances total £0.2m.

Eastern Gateway

- 4.36. Due to a delay in resolving contractor queries on the revised scope of the House of Sport project, there is a requirement to move £0.4m into 2021/22.

City Centre

- 4.37. Due to a number of risk items from the pre-construction services agreement not being required in 2020/21, a total of £0.3m will be reprofiled into next financial year for the Medieval Quarter and Glade of Light project.
- 4.38. As noted in paragraph 9.29, whilst the outcome of the public consultation for the future of Piccadilly Gardens is reviewed, a total of £0.2m will be reprofiled into next financial year.

Other Growth and Development

- 4.39. As per the latest schedule of key milestone payments, a total of £1.4m will be moved into 2021/22 for the Civic Quarter Heat Network Project.
- 4.40. Other in year variances are as per paragraph 9.32.

Risks

- 4.41. It should be noted that there are a number of significant elements of the Growth and Development programme, such as the Strategic Acquisitions programme, which are dependent on negotiations with third parties in order to achieve a successful outcome e.g. for land acquisitions. As a result the budget profile is a best estimate and is likely to change. The programme is continually subject to a detailed review and prioritisation exercise.

5. Our Town Hall Refurbishment

- 5.1. The Our Town Hall programme is a major scheme to update the architectural masterpiece that is the Manchester City Centre Town Hall, to protect and improve it for both Manchester and the nation, restoring and re-opening in 2024.
- 5.2. The Our Town Hall Refurbishment programme has spent £30.0m compared to a revised budget of £34.6m, a variance of £4.6m. The programme is shown in the table below:

Our Town Hall	20/21 Budget set in Feb 20 £m	20/21 Revised Budget £m	20/21 Forecast £m	20/21 Variance £m	All Years Budget £m	All Years Forecast £m	All Years Variance £m
Our Town Hall Refurbishment	49.1	34.6	30.0	-4.6	305.2	305.2	0.0
Total Our Town Hall Refurbishment	49.1	34.6	30.0	-4.6	305.2	305.2	0.0
Reprofiling				-4.6			
Cost Variations				0.0			
Net over (under) spend				0.0			

Activities

- 5.3. Progress continues for the Our Town Project, and the latest programme of works from the contractor is currently being reviewed. Recent key achievements include the completion of the internal scaffolding to the organ space, and the first pieces of stone arriving on site from the quarry. A number of trial heritage repairs have also been undertaken to determine how many times the stone will need to be cleaned and whether original wood paneling will need to be stripped.
- 5.4. In the next quarter, the Lloyd St ramp and Courtyard C scaffolding will commence, as will the window refurbishment on level 4, and the plaster removal snagging will continue. The surveys to the cladding on the link bridges are on-going.

Variances – In Year

- 5.5. A total of £4.6m will be reprofiled into next financial year due to unspent contingency in 2020/21 and a number of work packages starting on site later than originally anticipated.

Risks

- 5.6. Due to the size, duration and nature of the programme, risk will be carefully managed through and across the various work packages. Site investigations and early works are vital to inform the design and cost aspects.
- 5.7. External factors such as supply chain uncertainty, the reoccurrence of further COVID-19 related restrictions and the availability of sufficient and appropriate specialists to ensure the quality of the finished work, will require monitoring to ensure early action can be taken to reduce any negative impact on cost and programme.

6. Housing - General Fund

- 6.1. The Private Sector Housing programme focuses on providing affordable housing including the facilities, adaptations and community focus required.
- 6.2. The main changes since the Budget set in February 2020, and prior to those noted in this report are as follows:
 - Due to backlog issues relating to COVID-19, reprofiling of schemes funded through the Disabled Facilities grant was required. The revised 2020/21 budget is therefore £3.0m.
- 6.3. The Private Sector Housing programme has spent £14.6m compared to a budget of £13.9m, variance of £0.7m. The programme is shown in the table below:

Private Sector Housing (General Fund)	20/21 Budget set in Feb 20 £m	20/21 Revised Budget £m	20/21 Outturn £m	20/21 Variance £m	All Years Budget £m	All Years Forecast £m	All Years Variance £m
Brunswick PFI Land Assembly	0.6	0.1	0.1	0.0	9.7	9.7	0.0
Disabled Facilities Grant	7.5	3.0	3.9	0.9	54.9	54.9	0.0
Marginal Viability Fund – New Victoria	6.7	6.9	6.9	0.0	11.4	11.4	0.0
Other Projects	7.8	3.9	3.7	-0.2	97.4	96.9	-0.5
Total Private Sector Housing (General Fund)	22.6	13.9	14.6	0.7	173.4	172.9	-0.5
Reprofiling				0.7			
Cost Variations				0.0			
Net over (under) spend				0.0			

Activities

- 6.4. The Empty Homes project is now complete with the £2.0m payment made to the Housing Association delivering the scheme and the Section 22 agreement signed and sealed.
- 6.5. The Princess Road project, a partnership project between Strategic Housing, Homelessness and One Manchester, is now complete, with the grant payment made. The first residents moved in during March 2021 and the building is now fully occupied.

Variances – All Years

- 6.6. The Green Homes Grant scheme has unfortunately closed, due to the deadline for completion by August set by the Department for Business, Energy and Industrial Strategy (BIES). On discussion with the contractor, it became apparent works would not complete until November 2021, and so the project will be removed from the Capital Programme. The Council has agreed with BIES that officers will instead support the GMCA scheme to increase uptake.

Variances – In Year

- 6.7. The final outturn of expenditure for the Disabled Facilities Grant is better than anticipated, which is attributable to an ongoing commitment by our Registered Social Housing Provider delivery partners and the Council's own Adaptations Team, to continue to deliver works during COVID-19. A COVID-19 protocol was put in place for the second lockdown, which meant that disabled adaptations could still be delivered to those in need, with full protective and social distancing measures. As a result, a total of £0.9m will be accelerated from 2021/22.
- 6.8. Other in year variances total £0.2m.

7. Housing Revenue Account (HRA)

- 7.1. The Public Sector Housing programme seeks to bring the estate up to and maintain the Decent Homes standard including statutory health and safety regulations and the reduction of CO2 emissions.
- 7.2. Due to COVID-19, all but two projects that were on site in March 2020 were suspended, with plans to restart when restrictions were lifted, unless there was good reason to continue and it was able to be delivered. The budget was reprofiled, and the revised Public Sector Housing budget became £16.1m.
- 7.3. The Public Sector Housing (HRA) programme has spent £17.6m compared to a budget of £16.1m, a variance of £1.5m. The programme is shown in the table below:

Public Sector Housing (HRA)	20/21 Budget set in Feb 20 £m	20/21 Revised Budget £m	20/21 Outturn £m	20/21 Variance £m	All Years Budget £m	All Years Forecast £m	All Years Variance £m
Northwards	30.6	15.3	16.8	1.5	79.5	79.5	0.0
Collyhurst	0.4	0.4	0.4	0.0	31.3	31.3	0.0
Other Projects	7.8	0.4	0.4	0.0	39.9	39.9	0.0
Total Public Sector Housing (HRA)	38.8	16.1	17.6	1.5	150.7	150.7	0.0
Reprofiling				1.5			
Cost Variations				0.0			
Net over (under) spend				0.0			

Activities

- 7.4. Within the Northwards Programme, key outputs delivered in 2020/21 include 1,001 sprinkler installations, 322 kitchens, 716 bathrooms, 74 separate adaptations, 423 full rewires and 182 heat pump installations.
- 7.5. Throughout 2020-21, as expected due to COVID-19, there has been an increase in access refusals where residents have been reluctant to let contractors into their homes. Many residents have also been shielding. It is expected that this will improve going forward as the current lockdown restrictions continue to ease.
- 7.6. The Heads of Terms and legal agreements for the Collyhurst Programme are currently being progressed. The final round of consultation on the South Collyhurst element of the scheme has commenced.

Variances – In Year

- 7.7. Across the Northwards Programme, a total of £1.5m will be accelerated into 2020-21 due to better progress being achieved that originally anticipated. For the Charlestown Victoria Avenue multi storey blocks project, remobilisation happened in February and work commenced in March, earlier than expected. Similarly, the final account for the Fire Risk Assessments phase 1 work is expected earlier than anticipated based on works done up to the end of March 2021.

Risks

- 7.8. The Northwards programme relies on the performance of a number of contractors to deliver projects which creates a risk of delays. Ongoing monitoring of performance and regular communication with partners are used to manage risks in these areas.
- 7.9. There are risks around obtaining listed building consent and planning approvals required for some of the projects, to be managed through timely collaboration

with colleagues in planning and design teams.

- 7.10. Northwards have updated their risk profile to include an expected increase in fire risk assessment costs on the high rise blocks due to an increase in the scope of work following detailed surveys, an increase in contractor costs due to demands on capacity and an increase in insurance costs in relation to accountability and risk.

8. Children's Services

- 8.1. The main focus of the children's services programme is to provide additional school places for children across the city and maintain the school buildings, ensuring that there is investment in modern, energy efficient and high-quality education infrastructure which drives reductions in carbon across the estate of schools, 85% of materials are locally sourced and contractors recycle more than 75% of waste products.
- 8.2. The main changes to the budget set in February 2020 and prior to those noted in this report are:
- As reported at 2019/20 outturn, the acquisition of land at Hyde Road was expected to take place before the end of the calendar year and so the total £13.1m budget was reprofiled into 2020/21.
- 8.3. The Children's Services programme has spent £32.1m compared to a budget of £37.2m, a variance of £5.1m. The programme is shown in the table below:

Children's Services	20/21 Budget set in Feb 20 £m	20/21 Revised Budget £m	20/21 Outturn £m	20/21 Variance £m	All Years Budget £m	All Years Forecast £m	All Years Variance £m
Basic Need and SEND Programme	20.8	18.1	14.9	-3.2	139.3	143.6	4.3
School Maintenance programme	3.6	3.3	2.7	-0.6	12.5	13.5	1.0
Other Projects	5.0	15.8	14.5	-1.3	21.3	23.3	2.0
Total Children's Services	29.5	37.2	32.1	-5.1	173.1	180.4	7.3
Reprofiling				-5.1			
Cost Variations				0.0			
Net over (under) spend				0.0			

Activities

- 8.4. The planning application for Co-op Academy Belle Vue was granted in April 2021. Negotiations with the contractor regarding the main contract terms are progressing well. The cinema demolition is well underway with a review of RIBA Stage 4 designs expected in May.

- 8.5. The Special Educational Needs (SEN) Basic Need programme continues to progress well with external works commencing at Roundwood Road, the M&E 2nd fix installation and windows installation to commence at Brookside Road and the North Hulme site now watertight with works progressing at pace.
- 8.6. The North Ridge sixth form expansion is now complete, and the building has been handed back to the school. The final account is expected.
- 8.7. The 2020/21 School Maintenance Programme is now complete and a programme of works for 2021/22 has been approved. It is still expected that works will be undertaken in the holidays and evenings to minimise disruption to the operation of schools should pupils return for the summer term.

Variances – All Years

- 8.8. The Seymour Road project has now completed with a total underspend of £0.3m. This will be removed from the Capital Programme.
- 8.9. The following increases were approved by Executive on 2nd June and have been added to the Capital Programme:
 - The 2022/23 Education Basic Need was released in February 2021, and Manchester will receive £4.3m.
 - Likewise, the Schools Maintenance allocation for 2021/22 was released in April 2021, with Manchester due to receive £4.0m. As a result, the estimated budget of £3.0m within the Capital Programme will be increased by £1.0m.
 - Similarly, an additional allocation of £2.3m SEN Grant will be received by Manchester in 2021/22.

Variances – In Year

Basic Need Programme

- 8.10. The contractor for the Roundwood Road project within the SEN programme overestimated their spend profile in the early stages of the works. This couple with some setbacks due to COVID-19 has resulted in £1.5m to be reprofiled into next financial year.
- 8.11. As part of the Council-funded project to build a new secondary school in the City, Co-op Academy are procuring a modular build at Connell Co-op College to allow for early opening before the completion of the school. No claims were made by Co-op in 2020/21 and so £1.0m will be moved into 2021/22 when payments are expected to be made.
- 8.12. Due to impacts of COVID-19, the planned expansion at Co-op North will now

begin in 2021/22 and so the £0.5m budget will be moved into next financial year.

- 8.13. The St Peter's RC High School expansion project has completed with a £0.1m underspend. This will be vired back to the unallocated Basic Need budget to be used for future schemes.

- 8.14. Other in year variances total £0.1m.

Schools Maintenance Programme

- 8.15. Following the completion of the 2020/21 Schools maintenance programme, there is a total underspend of £0.6m which will be reprofiled into 2021/22 to be used against the future programme of works.

Other Projects

- 8.16. Due to legal agreements for the Lyndene Childrens Home refurbishment project taking longer than originally anticipated, a total of £0.5m will be moved into 2021/22 when the project is expected to be completed.
- 8.17. As noted in paragraph 13.6, the North Ridge modular build is now complete. The balance of £0.2m will be moved into 2021/22 until the snagging process has concluded.
- 8.18. Other in year variances are as noted in paragraph 13.8, plus further smaller variances that total £0.2m.

Risks

- 8.19. There is a risk around the Council's ability to meet the continued growth of pupil numbers – particularly in-year school admissions which is more difficult to accurately project and manage. There is also a risk around the pace of residential development and the demand for school places outweighing the available supply in particular areas of the City. To offset these risks, the Director of Education has developed a School Places plan for 2020 to 2025 using forecasted demand to ensure that there are sufficient high quality school places available in the right areas across the City. The Council's relationship with the DfE is also key to ensuring that free school places are delivered on time.

9. ICT Capital Programme

- 9.1. The aim of the ICT programme is to reduce key risks, decommission legacy platforms and to create a simpler, more robust, resilient and easier to support environment. The programme will move towards a modern infrastructure whilst adding business value.
- 9.2. The main variances from the original budget set in February 2020 and before those outlined in this report are:

- In 2019/20, Executive approved a £1.8m scheme to implement Microsoft 365 across the Council Estate.
- As a result, the End User devices budget was reprofiled to account for the expected interdependencies between the projects.

9.3. The ICT programme has spent £3.5m against a budget of £3.8m, a variance of £0.3m. The programme is shown in the table below:

ICT	20/21 Budget set in Feb 20 £m	20/21 Revised Budget £m	20/21 Outturn £m	20/21 Variance £m	All Years Budget £m	All Years Forecast £m	All Years Variance £m
Microsoft 365	0.0	1.8	1.7	-0.1	1.8	1.8	0.0
End User Experience	3.4	1.0	1.0	0.0	5.2	5.2	0.0
Other Projects	2.3	1.0	0.8	-0.2	36.9	36.8	-0.1
Total ICT	5.7	3.8	3.5	-0.3	43.9	43.8	-0.1
Reprofiling				-0.3			
Cost Variations				0.0			
Net over (under) spend				0.0			

Activities

- 9.4. The End User Device project, which will see all Council staff allocated end-user devices to meet the needs of their roles, including mobile devices, is now fully approved. A procurement exercise was undertaken and a framework put in place, with the primary seller engaged and helping provide accurate list prices for upcoming purchases. The project will now start placing bulk orders due to the 14-week lead time on devices.
- 9.5. The contract for the Wider Area Network (WAN) project has now been signed with the preferred supplier. A grant claim will be submitted to DCMS in early 2021/22. The project design activities are ongoing and the supplier shared the key design artefacts with the Council at the end of April.
- 9.6. Similarly, the contract has been awarded for the Local Area Network (LAN) and Wifi project. ICT will engage with the organisation to confirm scheduling to design, test and implement the new, fit for purpose LAN and Wifi hardware and software solutions across all MCC estate that houses Council staff.

Variances – All Years

- 9.7. A total of £0.1m will be transferred from the Data Centre Network Design and Implementation capital budget to the project's revenue budget to cover additional project management costs. The capital budget has an underspend of this amount so the transfer will not affect the total budget.

Variances – In Year

- 9.8. There is a requirement to reprofile £0.1m into 2021/22 for the WAN project as some of the commissioning work could not be undertaken by the contractor in March as originally anticipated.
- 9.9. Other in year variances total £0.1m.

Risks

- 9.10. An emerging risk the ICT portfolio is the global industry wide shortage in laptop supplies. The project manager for the End User Device scheme is liaising with our current supplier to ensure we have the latest information on shortages and estimated lead times. The project team will work proactively to ensure orders are placed in advance to prevent delays in device roll outs.
- 9.11. ICT projects are often interdependent which can lead to adjustments to the schedule of activity should changes occur in a particular project. Some projects may need external support and advice to be delivered and this may create delays as such work is completed.
- 9.12. ICT projects are subject to external factors such as cyber security risks as an incident could result in data unavailability or loss, impacting the Council's critical applications and services. The Council has Public Services Network (PSN) compliant infrastructure and up to date anti-virus software to mitigate this. The use of end of life software and hardware form part of the ICT risk profile to ensure ongoing operation of systems and hardware.
- 9.13. Ongoing risks around expiration of licenses and support contracts are managed through monitoring and review at operational and strategic level, taking into account costs associated with maintaining or changing existing arrangements into future years.

10. Corporate Services Programme

- 10.1. Included in the Corporate Services programme is Gorton Health Hub which will bring together key organisations responsible for tackling worklessness and low skills. This will have a positive impact providing new opportunities for local residents and will contribute to sustainable economic growth by replacing a number of old, poorly maintained and high carbon producing buildings into a more modern, energy efficient purpose built building.
- 10.2. The main variances from the budget set in February 2020, and prior to those reported in this report are as follows:
 - In March, the Integrated Working – Gorton Health Hub project was paused due to COVID-19. The 2020/21 budget is now £0.4m.

- The package of shareholder support approved for Manchester Airport Group was approved in April 2020.

10.3. The Corporate Services programme has spent £114.8m compared to a budget of £115.6m, a variance of £0.8m. The programme is shown in the table below:

Corporate Services	20/21 Budget set in Feb 20 £m	20/21 Budget £m	20/21 Outturn £m	20/21 Variance £m	All Years Budget £m	All Years Forecast £m	All Years Variance £m
Integrated Working – Gorton Health Hub	17.2	0.4	0.2	-0.2	22.8	22.8	0.0
BioMedical Investment	6.1	3.8	3.8	0.0	21.3	21.3	0.0
Manchester Airport Group Support	0.0	106.5	106.5	0.0	142.7	142.7	0.0
Other Projects	14.9	4.9	4.3	-0.6	153.7	153.5	-0.2
Total Corporate Services	38.2	115.6	114.8	-0.8	340.5	340.3	-0.2
Reprofiling				-0.8			
Cost Variations				0.0			
Net over (under) spend				0.0			

Activities

10.4. Final approval on the approach for the Integrated Working – Gorton Health Hub has been granted. Contractor remobilisation has begun, and an updated programme and cost plan will be developed in early 2021/22.

Variances - All Years

10.5. The Pay and Display Machines project has now completed with a total underspend of £0.2m. This will be removed from the capital programme.

Variances – In Year

10.6. Further to the points in paragraph 15.4, the Integrated Working - Gorton Health Hub project is now anticipating starting on site in 2021/22. A total of £0.3m will be moved into next financial year.

10.7. The Phase 1 Implementation - Locality Plan Programme Office project is in the final stages of co-locating twelve integrated community health & care teams in defined Neighbourhood Areas throughout Manchester. Originally completion was planned in 2020/21 but the project was impacted and delayed by COVID-19 and this has led to £0.3m being moved into 2021/22.

10.8. Other in year variances are as per paragraph 15.5.

Risks

- 10.9. The nature and scope of the schemes within the Corporate Programme mean that project progression is highly reliant on third parties and there is therefore a risk of external factors causing delays.

Appendix B - Proposed Capital Virements

Appendix C – Prudential Indicators Mar 21

No	Prudential Indicator		Target		As at end Mar 21	Target Breached Y/N
			£m		£m	
1	Estimated Financing Costs to Net Revenue Stream		6.7%		6.7%	N
2	Forecast Capital Expenditure	Non – HRA	453.7		318.1	N
		HRA	38.8		17.6	N
		Total	492.5		335.7	N
3	Forecast Capital Financing Requirements ¹	Non – HRA	1,637.1		1,350.2	N
		HRA	299.2		299.2	N
		Total	1,936.3		1,649.4	N
4	Authorised Limits for External Debt	Borrowing	1,384.5		750.2	N
		Other Long-Term Liabilities	190.0		156.4	N
		Total	1,574.5		906.6	N
5	Operational Boundaries for External Debt	Borrowing	1,006.2		750.2	N
		Other Long-Term Liabilities	190.0		156.4	N
		Total	1,196.2		906.6	N
6	Upper Limits for Principal Sums Invested for over 364 days.		0		0	N
			<i>Upper Limit</i>	<i>Lower Limit</i>		
7	Maturity Structure of Borrowing	under 12 months	80	0	42	N
		12 months and within 24 months	70	0	18	N
		24 months and within 5 years	60	0	9	N
		5 years and within 10 years	50	0	0	N
		10 years and above	80	20	31	N

¹ Draft, subject to approval of Council's financial accounts

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	2020/21	2021/22
Project Name	In yr virement proposed	In yr virement proposed
Carriageway Resurfacing		-1,023
Footway schemes		2,063
Carriageway Preventative		-1,040
Total Highways Programme	0	0
Open Libraries		
Chorlton Library Refurbishment		
Total Neighbourhoods Programme	0	0
The Factory (Build)		816
St Johns (Public Realm)		-816
Total Factory Programme	0	0
Charlestown - Victoria Ave multistorey window replacement and ECW	404	
Environmental works		
Moston Miners Low Rise externals	2	
Environmental improvements Moston corrolites	4	
ENW distribution network (various)	5	
Various Estate based environmental works	8	
Delivery Costs	-345	
Harpurhey - Monsall Multis Internal Works	78	
Newton Heath - Multies Internal Works	214	173
Higher Blackley - Liverton Court Internal Works	1	
Various - Bradford/Clifford Lamb/Kingsbridge/Sandyhill Court Internal Works		8
Charlestown - Rushcroft/Pevensey Court Internal Works	125	
Collyhurst - Mossbrook/Roach/Vauxhall/Humphries Court Internal Works		
Decent Homes mop ups and voids	6	
One off work - rewires, boilers, doors	6	
ERDF Heat Pumps	395	2
Charlestown - Rushcroft/Pevensey Courts Lift Refurb		
One off type work (rewires/boilers/doors)	23	3
Fire Risk Assessments	79	
Northwards - Harpurhey 200 Estate Internal Works	48	
Rushcroft and Pevensey Courts Ground Source Heat Pumps	81	
Harpurhey Baths Estate (excl Edward Grant Court) and Cheetham Appleford Estate		-17

Newton Heath Troydale and Croyden Drive Low Rise Estates	45	
Responsive Investment Works	21	
Retirement blocks various M&E/H&S works		-22
Retirement blocks lift replacement apprentice and edward grant courts		
One off type work such as rewires boilers doors	25	
Delivery Costs	-1,479	-21
Bringing Studio Apartments back in use		
Various Locations - bringing bedsits back into use		
Improvements to Homeless Accommodation	54	
Delivery Costs	-50	
Various Locations - Adaptations	74	
Delivery Costs	-26	-25
Northwards Housing Programme - Unallocated	202	-101
Total Public Sector Housing (HRA) Programme	0	0
St Peters RC High school expansion	-113	
Basic need - unallocated funds	113	
Abbott Primary School Fencing	8	
Ringway Primary roof	1	
Ringway Primary School	1	
Crumpsall Lane - Electrical rewire	-108	
Mauldeth Rd Rewire	15	
Button Lane Primary Fire Alarm	-6	
Charlestown Comm Fire Alarm/Lighting	-5	
Northenden Primary Pipework and Radiators	-44	
Crowcroft Park roof repairs	-1	
Northenden Comm external works	-26	
Abbott Kitchen ventilation	-19	
Manley Park Primary roof repairs	-19	
Schools Capital Maintenance -unallocated	203	
Brighter Beginnings Burnage -Early Years maintenance works	-1	
Community Minded Ltd	23	
Early Education for Two Year Olds - Unallocated	-22	
Total Children's Services Programme	0	0
New Social Care System	1	
ICT Investment Plan	-1	
Total ICT Programme	0	0
Total Manchester City Council Capital Programme	0	0

2022/23	2023/21
In yr virement proposed	In yr virement proposed
-450	
200	
250	
0	0
105	
-105	
0	0
235	
-235	
0	0
-5	
8	
-80	
40	
1	
10	
67	
-11	

[illegible]

0	0

0	0
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	2020/21
Project Name	Proposed Budget
Drainage	2,648
Large Patching repairs	40
Patching Defect repairs	3,058
Carriageway Resurfacing	8,687
Footway schemes	1,489
Carriageway Preventative	2,141
Bridge Maintenance	262
Other Improvement works	595
Highways Maintenance Challenge Fund	4,383
Hyde Road (A57) Pinch Point Widening	2,890
Manchester/Salford Inner Relief Road (MSIRR)	100
Great Ancoats Improvement Scheme	5,364
Mancunian Way and Princess Parkway NPIF	4,518
Christie Extension Residents Parking Zones	44
Hathersage Residents Parking Zones	43
North Mcr General Hospital Residents Parking Zones	28
St George's Residents Parking Zones	23
Rusholme Residents Parking Zones	26
School Crossings	1,407
Chorlton Cycling Scheme	2,284
Northern Quarter Cycling Scheme	738
Manchester Cycleway	242
Beswick Filtered Neighbourhood Development Costs	443
Green Bridge at Airport City	896
A6 Stockport Road Pinch Point Scheme	355
Levenshulme Mini Holland Cycling and Walking scheme	477
Northern/Eastern Gateway Walking and Cycling scheme	240
Rochdale Canal	180
Accident Reduction and Local Community Safety schemes	0
20mph Zones	114
Princess Rd Safety Review	53
Public Realm	1,467
Street Lighting PFI	726
A56 Liverpool Road	43
A56 Chester Road	27
Sunbank Lane	2
Sharston Roundabout SCOOT	6
Derwent Avenue	8
Woodhouse Park	16
Arena Security Measures	28
Ladybarn District Centre	26
CCTV Operating System Upgrade	243
Manchester Trash Screens	107
Oldham Rd Feasibility study	114
Enterprise Car Club Bays	6
Off Street Car Parks post JV project	232
Electric Vehicle Charging Points	9
TfGM Bus Enhancements	34
Bee Network Crossings	27
Emergency Active Travel Development Costs	199

Princess Parkway/Palatine Rd Feasibility	0
Total Highways Programme	47,088
Waste Reduction Measures	755
Waste Contract	100
Purchase of Electric Refuse Collection Vehicles	711
Cremator and Mercury Abatement Plant Replacement Strategy	85
Chester Road Roundabout Advertising	0
Electric Charging Points - Grimshaw Lane	0
PIP - Park Events Infrastructure	8
Parks Development Programme	232
Wythenshawe Cycling Hub	0
Somme 100 Year Memorial	3
Painswick Park Improvement	2
Heaton Park Southern Play Area	28
Wythenshawe Park Sport Facilities	5
King George V Park	15
Angel Meadow	176
Gately Brook Pre-Development Fees	36
Whitworth Park	0
Wythenshawe Track Changing Rooms	0
Indoor Leisure - Abraham Moss	648
Boggart Hole Clough - Visitors Centre	0
Mount Road	0
Culture Website	4
Manchester Regional Arena Track Replacement	324
Mellands Playing Fields - Levenshulme	29
Mellands Project - Longsight Ward	330
Gorton and Abbey hey Project	104
Hough End Master Plan - Strat Football Hub Development Costs	320
Range Stadium Capital Project	160
Manchester Aquatics Centre- Car Park Improvements	371
Non-Turf Wickets - Parks and Playing Fields	141
Manchester Aquatics Centre	0
Rugby Football League Project - Beswick Hub	0
National Squash Centre	0
Wind Tunnel at MIHP	0
Central Library Wolfson Award	0
Central Library Refresh	0
Open Libraries	106
Chorlton Library Refurbishment	0
Galleries Collection Housing	0
Contact Theatre loan	200
Total Neighbourhoods Programme	4,893
The Factory (Build)	35,195
St Johns (Public Realm)	189
Total Factory Programme	35,384
Asset Management Programme	5,463
Manchester Aquatics Centre feasibility works	331

Town Hall Complex Transformation Programme	54
Hammerstone Road Depot	1,046
Carbon Reduction Programme	3,769
Public Sector Decarbonisation Scheme	0
Greening of the City	152
Estates Transformation	0
Estates Transformation - Hulme District Office	3
Estates Transformation - Alexandra House	6,289
Proud Trust - Sidney Street	250
Space	35
The Sharp Project	0
Digital Asset Base - One Central Park	204
Strategic Acquisitions Programme	1,530
Sustaining Key Initiatives	0
Mayfield Park	181
Housing Infrastructure Fund	168
Acquisition of land at Red Bank	2,114
Northern Gateway	0
Eastern Gateway - Central Retail Park	125
Eastern Gateway - New Islington Marina	13
House of Sport	729
Demolition of Grey Mare Police Station	583
St. Peters Square - Peterloo	-86
Medieval Quarter Public Realm	547
Manchester College	5,000
Digital Business Incubators	200
Lincoln Square	0
Piccadilly Gardens	135
Manchester Digital Security Innovation hub (Cyberhub)	0
Campfield Redevelopment - Acquisition of Castlefield House	0
HOME Arches	0
First Street Cultural Facility	0
New Smithfield Market	52
Heron House and Registrars	846
Civic Quarter Heat Network	7,623
Total Growth and Development Programme	37,356
Our Town Hall refurbishment	30,035
Total Town Hall Refurbishment Programme	30,035
Brunswick PFI Land Assembly	71
Collyhurst Regeneration	0
Collyhurst Land Assembly	0
Collyhurst Land Acquisitions	0
Eccleshall Street - 3 Sites	0
Site Investigation and Early Works HIF Pilot Sites	0
Miles Platting PFI Land Assembly	7
Disabled Facilities Grant	3,921
Toxteth St CPO and environmental works	1
Bell Crescent CPO	0
HCA Empty Homes Cluster	465
Princess Rd	100

Empty Homes Scheme	2,000
Ancoats Dispensary: Survey Work to Confirm Major Project Viability	295
Redrow Development	3
West Gorton Compensation	4
West Gorton Demolition and Commercial Acquisitions	89
HMRP	6
Extra Care	0
Moston Lane Acquisitions	0
Equity Loans	0
West Gorton Community Park	350
Ben St. Regeneration	10
Marginal Viability Fund - New Victoria	6,922
Chimebank	34
Next Steps Accommodation Programme Property Acquisitions	349
Green Homes Grant Delivery scheme	0
This City Housing Delivery Vehicle	0
Social Housing Decarbonisation Fund	0
Total Private Sector Housing Programme	14,627
Charlestown - Victoria Ave multistorey window replacement and ECW	3,271
Moston Miners Low Rise externals	7
External cyclical works Ancoats Smithfields estate	0
Environmental improvements Moston corrolites	58
ENW distribution network (various)	24
Various Estate based environmental works	85
Moston Corrolites external work	0
Retaining Walls	0
Delivery Costs	0
Decent Homes mop ups and decent homes work required to voids	0
Ancoats - Victoria Square lift replacement	4
Harpurhey - Monsall Multis Internal Works	954
Newton Heath - Multies Internal Works	3,136
Higher Blackley - Liverton Court Internal Works	5
Various - Bradford/Clifford Lamb/Kingsbridge/Sandyhill Court Internal Works	146
Charlestown - Rushcroft/Pevensey Court Internal Works	1,015
Collyhurst - Mossbrook/Roach/Vauxhall/Humphries Court Internal Works	543
Decent Homes mop ups and voids	46
One off work - rewires, boilers, doors	51
Fire precautions multi storey blocks	0
ERDF Heat Pumps	3,212
Charlestown - Rushcroft/Pevensey Courts Lift Refurb	0
One off type work (rewires/boilers/doors)	218
Fire Risk Assessments	634
Northwards - Harpurhey 200 Estate Internal Works	715
Rushcroft and Pevensey Courts Ground Source Heat Pumps	654
Harpurhey Baths Estate (excl Edward Grant Court) and Cheetham Appleford E	238
Newton Heath Troydale and Croyden Drive Low Rise Estates	367
Responsive Investment Works	115
Retirement blocks various MandE/HandS works	0
One off type work such as rewires boilers doors	189
Delivery Costs	0
Various Locations - bringing bedsits back into use	0
Delivery Costs	0

Improvements to Homeless accommodation city wide	0
Plymouth Grove Women's Direct Access Centre	0
Improvements to Homeless Accommodation	436
Woodward Court reroofing	0
Woodward Court lift replacement	0
Delivery Costs	0
Stock Acquisitions	2
Adaptations	61
Various Locations - Adaptations	587
Delivery Costs	0
Northwards Housing Programme	0
Collyhurst Maisonette Compensation and Dem	0
West Gorton Low and High Rise Demolition	26
Buy Back Properties - Right to Buy	294
Willert Street Park Improvements	0
North Manchester New Builds	-2
North Manchester New Builds 3	98
Parkhill Land Assembly	0
Collyhurst	379
Total Public Sector Housing (HRA) Programme	17,568
Lytham Rd	0
Plymouth Grove Refurbishment	4
Crossacres Primary School	8
Dean Trust Expansion	2,859
Brookside Rd Moston	3,567
North Hulme Adventure Playground	1,859
Roundwood Road	4,940
Piper Hill Special School	15
SEND Expansions - Melland and Ashgate	3
Coop North Expansion	0
Our Lady's Expansion	140
Manchester Communications Academy	60
Co-op Academy Belle Vue - Permanent	1,201
Co-op Academy Belle Vue - Early Opening	0
St Peters RC High school expansion	270
Lancasterian Rebuild and Expansion - Pre Devel Costs	0
Our Lady's RC Permanent Expansion	0
Universal Infant Free School Meals (UIFSM) - Allocated	5
Universal Infant Free School Meals (UIFSM) - Unallocated	0
Abbott Primary School Fencing	8
Broad Oak Primary School Kitchen	12
Lily Lane Prim Windows	0
Moston Lane Reroof	6
St. Augustine's	66
Ringway Primary roof	1
Ringway Primary School	1
Medlock Primary - Boundary Wall rebuild	0
Crumpsall Lane - Electrical rewire	791
Mauldeth Rd Rewire	614
Button Lane Primary Fire Alarm	130
Charlestown Comm Fire Alarm/Lighting	159
Northenden Primary Pipework and Radiators	191

Crowcroft Park roof repairs	244
St Wilfreds CE roof repairs	5
Northenden Comm external works	55
Abbott Kitchen ventilation	35
Manley Park Primary roof repairs	281
Broad Oak Reception class and roof repair	84
Manley Park Roof	0
Manley Park Joinery	0
Rack House PS Roof	0
The Birches Special School Roof	0
Schools Capital Maintenance -unallocated	0
Brighter Beginnings Burnage -Early Years maintenance works	1
Moss Side Community Centre - Early Years maintenance works	6
Community Minded Ltd	23
Early Education for Two Year Olds - Unallocated	0
Healthy Pupil Capital Funding	0
North Ridge SEN	3,011
Grange School	0
Special Educational Needs grant	0
Seymour Road	307
Commercial Wharf/ISS Refurbishment of YJS Building	104
Ghyll Head	712
Acquisition of land at Hyde Road	10,085
Nurseries Capital Fund - Unity Community	230
Lyndene Children's Home Refurbishment	50
Total Children's Services Programme	32,143
New Social Care System	1
Internet Resilience	23
Network Refresh Programme	254
Data Centre Network Design and Implementation	415
End User Experience	987
Microsoft 365	1,680
Telephony	68
Technology Enabled Care Digital Platform	63
Total ICT Programme	3,491
Pay and Display Machines	0
Implementation - Locality Plan Programme Office	147
Adults - Stepping Stone Capital works	0
Integrated Working - Gorton Health Hub	155
BioMedical Investment	3,835
Manchester Jewish Museum Loan	290
Manchester Airport Car Park Investment	3,730
FC United	170
VCSE Small premises works	0
Irish World Heritage Centre Loan	10
Airport Loan	106,452
Total Corporate Capital Programme	114,789
Total CAPITAL PROGRAMME (excl contingent budgets)	337,374

Inflation	0
Airport Loan	0
Northwards Housing Programme - Unallocated	0
Basic need - unallocated funds	0
ICT Investment Plan	0
Total Contingent Budgets	0
Total CAPITAL PROGRAMME	337,374

2021/22	2022/23	2023/24	2024/25	
Proposed Budget	Proposed Budget	Proposed Budget	Proposed Budget	Total
1,343	0	0	0	3,991
124	0	0	0	164
3,094	0	0	0	6,152
5,704	1,250	0	0	15,641
4,000	200	0	0	5,689
2,708	250	0	0	5,099
1,772	2,933	2,233	0	7,200
7,300	2,000	0	0	9,895
1,487	0	0	0	5,870
257	0	0	0	3,147
0	0	0	0	100
1,004	0	0	0	6,368
829	0	0	0	5,347
265	0	0	0	309
17	0	0	0	60
35	0	0	0	63
138	0	0	0	161
233	0	0	0	259
1,877	500	0	0	3,784
7,014	3,082	0	0	12,380
5,054	4,484	0	0	10,276
801	0	0	0	1,043
989	0	0	0	1,432
27	0	0	0	923
91	0	0	0	446
501	0	0	0	978
2,120	0	0	0	2,360
9	0	0	0	189
1,500	500	0	0	2,000
10	0	0	0	124
35	0	0	0	88
408	681	0	0	2,556
24	750	0	0	1,500
19	0	0	0	62
13	0	0	0	40
5	0	0	0	7
0	0	0	0	6
0	0	0	0	8
0	0	0	0	16
0	0	0	0	28
0	0	0	0	26
0	0	0	0	243
36	0	0	0	143
186	0	0	0	300
22	0	0	0	28
621	0	0	0	853
21	0	0	0	30
419	0	0	0	453
26	0	0	0	53
5,501	0	0	0	5,700

35	0	0	0	35
57,674	16,630	2,233	0	123,625
325	0	0	0	1,080
450	350	0	0	900
9,185	0	0	0	9,896
1,466	0	0	0	1,551
1,650	0	0	0	1,650
70	0	0	0	70
4	0	0	0	12
2,541	3,574	4,685	0	11,032
1,099	0	0	0	1,099
0	0	0	0	3
0	0	0	0	2
0	0	0	0	28
0	0	0	0	5
0	0	0	0	15
16	0	0	0	192
80	0	0	0	116
132	0	0	0	132
380	0	0	0	380
8,808	13,418	45	0	22,919
0	535	0	0	535
32	0	0	0	32
0	0	0	0	4
0	0	0	0	324
135	0	0	0	164
0	0	0	0	330
188	0	0	0	292
188	0	0	0	508
8	0	0	0	168
31	0	0	0	402
91	0	0	0	232
7,531	14,184	8,740	0	30,455
423	0	0	0	423
135	0	0	0	135
923	0	0	0	923
2	0	0	0	2
478	479	0	0	957
94	105	0	0	305
0	600	0	0	600
40	404	1,426	0	1,870
0	0	0	0	200
36,505	33,649	14,896	0	89,943
54,691	31,400	0	0	121,286
1,780	1,178	0	0	3,147
56,471	32,578	0	0	124,433
10,287	3,782	0	0	19,532
133	0	0	0	464

0	0	0	0	54
11,411	11,784	0	0	24,241
2,960	8,704	5,000	5,000	25,433
19,747	0	0	0	19,747
848	0	0	0	1,000
0	800	0	0	800
0	0	0	0	3
317	0	0	0	6,606
0	0	0	0	250
615	0	0	0	650
600	0	0	0	600
564	0	0	0	768
2,831	0	0	0	4,361
0	7,723	0	0	7,723
150	0	0	0	331
12,500	19,980	18,352	0	51,000
191	0	0	0	2,305
6,700	7,275	7,920	0	21,895
584	0	0	0	709
52	0	0	0	65
5,537	2,154	0	0	8,420
178	0	0	0	761
192	0	0	0	106
2,235	7	0	0	2,789
0	0	0	0	5,000
0	0	0	0	200
1,200	0	0	0	1,200
1,676	0	0	0	1,811
2,000	0	0	0	2,000
3,735	0	0	0	3,735
215	0	0	0	215
14	0	0	0	14
417	0	0	0	469
1,120	0	0	0	1,966
4,679	1,377	0	0	13,679
93,688	63,586	31,272	5,000	230,902
70,906	76,789	62,560	39,884	280,174
				0
70,906	76,789	62,560	39,884	280,174
522	777	0	0	1,370
178	0	1,000	2,700	3,878
0	29	0	0	29
0	210	799	0	1,009
0	500	0	0	500
0	65	0	0	65
143	266	0	0	416
7,500	1,790	0	0	13,211
10	19	0	0	30
0	0	482	0	482
265	683	0	0	1,413
0	0	0	0	100

0	0	0	0	2,000
57	0	0	0	352
18	0	0	0	21
0	0	0	0	4
348	904	0	0	1,341
34	89	0	0	129
0	1,245	1,200	0	2,445
0	0	7,500	0	7,500
0	397	0	0	397
25	25	0	0	400
415	626	0	0	1,051
2,032	2,446	0	0	11,400
0	0	0	0	34
900	1,491	0	0	2,740
3	0	0	0	3
400	0	0	0	400
3,045	75	0	0	3,120
15,895	11,637	10,981	2,700	55,840
6,535	2,881	0	0	12,687
0	0	0	0	7
90	0	0	0	90
0	27	0	0	85
70	113	0	0	207
100	94	0	0	279
1,004	216	0	0	1,220
168	90	42	0	300
1,036	445	5	0	1,486
0	20	0	0	20
0	0	0	0	4
0	104	0	0	1,058
377	12	0	0	3,525
0	0	0	0	5
60	49	0	0	255
0	84	0	0	1,099
54	113	0	0	710
0	377	0	0	423
7	0	0	0	58
0	150	0	0	150
1,236	363	0	0	4,811
240	198	99	0	537
19	0	0	0	237
2,968	1,052	1,236	0	5,890
0	184	0	0	899
1,850	0	0	0	2,504
515	45	0	0	798
1,093	512	89	0	2,061
394	262	0	0	771
791	160	0	0	951
186	0	0	0	375
1,272	479	185	0	1,936
0	116	0	0	116
0	15	0	0	15

0	24	0	0	24
0	28	0	0	28
289	71	0	0	796
227	20	0	0	247
0	434	0	0	434
67	75	0	0	142
0	0	0	0	2
150	89	0	0	300
165	67	0	0	819
21	9	0	0	30
467	12,174	283	0	12,924
89	935	0	0	1,024
0	0	0	0	26
365	347	500	0	1,506
10	0	0	0	10
339	40	0	0	377
3,434	8,114	647	0	12,293
0	4,270	0	0	4,270
2,000	11,500	11,875	5,501	31,255
				0
27,688	46,358	14,961	5,501	112,076
14	0	0	0	14
0	0	0	0	4
16	0	0	0	24
0	0	0	0	2,859
3,854	0	0	0	7,421
2,800	0	0	0	4,659
2,864	200	0	0	8,004
0	0	0	0	15
0	0	0	0	3
488	0	0	0	488
20	0	0	0	160
51	0	0	0	111
21,589	8,694	0	0	31,484
2,140	0	0	0	2,140
0	0	0	0	270
140	0	0	0	140
1,900	500	0	0	2,400
2	0	0	0	7
75	0	0	0	75
0	0	0	0	8
745	0	0	0	757
96	0	0	0	96
0	0	0	0	6
0	0	0	0	66
0	0	0	0	1
0	0	0	0	1
80	0	0	0	80
0	0	0	0	791
0	0	0	0	614
0	0	0	0	130
0	0	0	0	159
0	0	0	0	191

0	0	0	0	244
445	0	0	0	450
0	0	0	0	55
0	0	0	0	35
0	0	0	0	281
262	0	0	0	346
250	0	0	0	250
323	0	0	0	323
265	0	0	0	265
384	0	0	0	384
2,900	2,192	0	0	5,092
0	0	0	0	1
0	0	0	0	6
0	0	0	0	23
22	0	0	0	22
257	0	0	0	257
125	0	0	0	3,136
195	0	0	0	195
488	2,324	0	0	2,812
0	0	0	0	307
36	0	0	0	140
540	0	0	0	1,252
27	0	0	0	10,112
139	0	0	0	369
825	0	0	0	875
				0
44,357	13,910	0	0	90,410
0	0	0	0	1
4	0	0	0	27
2,952	6,094	0	0	9,300
44	0	0	0	459
3,471	727	0	0	5,185
80	0	0	0	1,760
332	0	0	0	400
94	0	0	0	157
6,977	6,821	0	0	17,289
5	0	0	0	5
340	0	0	0	487
187	0	0	0	187
14,674	5,350	0	0	20,179
3,792	3,950	2,308	0	13,885
0	0	0	0	290
0	0	0	0	3,730
0	0	0	0	170
0	500	500	0	1,000
0	0	0	0	10
0	0	0	0	106,452
				0
18,998	9,800	2,808	0	146,395
				0
429,159	311,758	139,711	53,085	1,271,087

8,800	6,000	2,527	0	17,327
36,248	0	0	0	36,248
0	1,471	0	0	1,471
0	27,496	4,281	0	31,777
0	6,820	7,614	0	14,434
45,048	41,787	14,422	0	101,257
474,207	353,545	154,133	53,085	1,372,344

Manchester City Council Report for Resolution

Report to: Executive – 2 June 2021
Audit Committee - 27 July 2021

Subject: Revenue Outturn Report 2020/21

Report of: Deputy Chief Executive and City Treasurer

Summary

The report sets out the final outturn position for the Council's revenue budget in 2020/21. It also highlights the movements from the previous forecast for the year, which was reported to the Executive in February 2021, based on the position as at the end of December 2020.

Recommendations

The Executive is recommended to:

1. Note the outturn position for 2020/21 as set out in the report and summarised in Table One at paragraph 7.
2. Approve the following within the Adult Social Care budget:
 - a. transfers of £4.166m and £489k to the corporately held Adult Social Care reserve as outlined in paragraph 36.
 - b. transfer of £9.2m to the Integration reserve which is within the S75 pooled budget arrangements, as outlined in paragraph 52.
3. Note the Housing Revenue Account position for 2020/21 as outlined in paragraphs 73 to 75.
4. Note the overall General Fund position for 2020/21 as outlined in paragraphs 79 to 81.
5. Approve the use of grants in addition to that already planned, as detailed in paragraph 82.
6. Approve the carry forward requests totalling £1.470m listed in Appendix 1.
7. Note the allocation of COVID-19 funding received by the Council in 2020/21, as outlined in Appendix 2.

Wards Affected: None directly

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

The budget reflects the fact that the Council has declared a climate emergency by making carbon reduction a key consideration in the Council's planning and budget proposals.

Manchester Strategy outcomes	Summary of the contribution to the strategy
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities.	The effective use of resources underpins the Council's activities in support of its strategic priorities.
A highly skilled city: world class and home grown talent sustaining the city's economic success.	
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities.	
A liveable and low carbon city: a destination of choice to live, visit, 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

There is an underspend at the end of the financial year which will increase General Fund reserve. Where required, provision has been made for known liabilities. Reserves are considered to be at a reasonable level to underwrite potential future costs and risks. If all recommendations are approved, the Deputy Chief Executive and City Treasurer is of the opinion that the Council was in a robust financial position at the end of March 2021.

Financial Consequences – Capital

There are no consequences for the capital budget.

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Background documents (available for public inspection):

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

Executive 12th February 2020 [The Revenue Budget 2020/21](#)

Executive - 14 October 2020 [P5 Revenue Budget Monitoring 2020/21 and Budget Position 2021/22](#)

Executive 11 November 2020 [Report to update on the Council's MTFP focusing on the financial position and strategy from 2021/22](#)

Executive 9 December 2020 [P7 Revenue budget monitoring 2020/21](#)

Executive 17 February 2021 [P9 Revenue budget monitoring 2021/22](#)

Introduction

1. This report provides a summary of the revenue outturn position for 2020/21 which includes the considerable financial impact of the COVID-19 pandemic on costs and resources.
2. The report includes the following Appendices:
 - £ Appendix 1 Carry forward requests
 - £ Appendix 2 Central Government COVID-19 Funding Announcements

Overview of Outturn Position 2020/21

3. As reported at Period 9 (P9), and in 2021/22 budget setting, the COVID-19 emergency funding received (Tranches 1 to 4) alongside budget mitigations has enabled an element of the planned use of airport reserve to be deferred into future years. The intention being to deliver a balanced budget for 2020/21 and support future years position. This recognises that COVID-19 will have an impact on the City Council finances after the government covid funding ends. At P9 the airport reserve slippage was estimated at £35.227m.
4. The outturn position has improved by £3.854m since P9, as shown in table one. This relates to an improvement of £2.401m in Adult Social Care, an increased claim on Sales, Fees and Charges compensation of £2.222m partly offset by a number of variations elsewhere, which net to £0.769m adverse.
5. The position includes COVID-19 pressures of £55.9m this financial year as well as confirmed government COVID-19 funding and mitigation through the Council's share of the sales, fees and charges funding.
6. Carry forward requests totalling £1.470m have been received for consideration, these are listed at Appendix 1 for consideration.
7. The following table summarises the outturn for 2020/21 by service, the paragraphs which follow outline the main reasons for the variations to budget and the changes from the previous forecast reported to the Executive in February 2021, which was based on the position to the end of December 2020.

Table One: Overview of Outturn Position 2020/21

	Revised Budget	Outturn	Total Variance	Movement from last Exec (P9)
	£000	£000	£000	£000
Total Available Resources	(871,147)	(859,499)	11,648	(1,150)
Total Corporate Budgets	257,395	253,580	(3,815)	(288)
Children's Services	135,666	133,911	(1,755)	(400)
Adult Social Care	235,234	239,298	4,064	(2,401)
Homelessness	17,777	25,200	7,423	1,040
Corporate Core	97,534	101,754	4,220	(198)
Neighbourhoods	114,714	127,919	13,205	1,597
Growth and Development	12,827	15,960	3,133	168
Total Directorate Budgets	613,752	644,042	30,290	(194)
Total Use of Resources	871,147	897,622	26,475	(482)
Total forecast over / (under) spend	0	38,123	38,123	(1,632)
COVID 19 Government grant income (tranche 1 to 4) - Confirmed			(64,782)	0
COVID-19 Sales Fees and Charges grant Income - Forecast			(12,422)	(2,222)
Reprofile the use of reserves			35,227	0
Net forecast over / (under) spend			(3,854)	(3,854)

Memo: Breakdown of variance

COVID	Other over / under spend	Total Variance
£000	£000	£000
14,910	(3,262)	11,648
0	(3,815)	(3,815)
1,033	(2,788)	(1,755)
8,262	(4,198)	4,064
5,153	2,270	7,423
5,620	(1,400)	4,220
16,177	(2,972)	13,205
4,793	(1,660)	3,133
41,038	(10,748)	30,290
41,038	(14,563)	26,475
55,948	(17,825)	38,123
(64,782)		(64,782)
(12,422)		(12,422)
35,227		35,227
13,971	(17,825)	(3,854)

Overview of COVID-19 Financial impact

8. Dealing with the immediate impact of COVID-19 has resulted in major spending pressures, particularly in social care and homelessness, alongside significant income reductions. There are also additional costs arising from functions such as providing the community hub and services for shielding residents as well as sourcing and supplying personal protective equipment (PPE).
9. The final COVID-19 return for 2020/21 was submitted on 30 April 2021. This showed the financial cost of COVID-19 to the Council in 2020/21 was £162.2m of which £21m relates to additional expenditure and £141.2m to loss of income.

Table Two: COVID-19 Forecast Financial Impact

	COVID-19 Financial impact
	£000
Forecast Cost Pressures	20,955
Forecast Income Shortfalls	141,232
Total	162,187

10. The financial impact of COVID-19 during 2020/21 will fall over a number of years due to the following factors:
- Any surplus or deficit on the Collection Fund (which covers both business rates and council tax income) is usually reflected in the year following that in which the income is due. Note the government has mandated that any 2020/21 irrecoverable deficit is smoothed over 3 years 2021/22 to 2023/24.
 - The Council has an airport dividend reserve which means that a significant proportion of the income (£56m) is budgeted to be used a year in arrears.
 - The budget shortfall has been adjusted for bus lane and parking lane enforcement income as this affects the level of the available reserve to fund future commitments.
11. This has resulted in the financial effect of COVID-19 for 2020/21 of £55.9m and 2021/22 of £143.2m as per table three below. This also includes further financial pressures into 2021/22 from anticipated continuing income losses (council tax, business rates, dividend, fees and charges) and further costs in 2021/22, particularly in adult social care and homelessness.

Table Three: Summary of COVID-19 Impact across 2020/21 and 2021/22 (excluding funding announcements)

	2019/20 £000	2020/21 £000	2021/22 £000
Additional Costs (MCC only)	389	20,955	24,906
Income:			
Loss of Income (MCC only)		141,232	111,546
Adjustment for element of airport dividend not budgeted to use in year		(55,809)	(8,729)
2020/21 Council Tax and Business Rates shortfalls impact a year in arrears		(41,449)	13,816
2020/21 Council Tax shortfall relating to 2019/20 deficit impact a year in arrears*		(3,072)	3,072
Bus Lane and Parking Income - impact on reserves capacity		(5,909)	(1,430)
Budget impact of lost income	0	34,993	118,275
Total Costs and Net income losses	389	55,948	143,181

**This element of the deficit is not eligible to be spread as it relates to an increase in the 2019/20 bad debt provision*

Summary of outturn position by directorate

12. The following section details the overall variances from revised budget, including COVID –19 related pressures, savings, mitigations and other changes. The position reflects the need to increase accounting provisions for bad debt in several areas, linked to the economic impact of the pandemic.

Resources (budget £871.147m, shortfall £11.648m)

13. The Council is responsible for the collection of local taxes (Council Tax and Business Rates). At the end of March 2021, 92.15% of Council Tax had been collected, 2.58% behind the position reported at the end of 2019/20. 87.91% of Business Rates had been collected which is 9.67% behind 2019/20.
14. Council Tax and Business Rates relating to 2020/21 will continue to be collected and the ultimate collection rate will be higher. It should be noted that local taxation income included in 2020/21 for these areas is fixed. Variances will impact in future years and forecast deficits have been built into the budget position.
15. The total available resources position represents a shortfall of £11.648m. This is mainly due to a £14.910m loss in dividend income from the Manchester Airport Group due to the impact of COVID restrictions. The dividend loss is partly offset by increased income as follows:
- an increase of £1.018m on the retained business rates budget due to the late announcement of notional Public Health allocations for 2020/21,
 - a £0.706m increase on other specific grants and New Burdens funding
 - £1.538m fortuitous income from rents on council properties and rental income from the Arndale Centre and Manchester Central.
16. The movement of £1.150m from Period 9 relates to the better than expected income from the Arndale Centre and Manchester Central.

Corporate Budgets (budget £257.395m, underspend £3.815m)

17. The total corporate budgets position is an underspend of £3.815m. This is made up of £2.425m underspend on budgets to be allocated including the pension contribution reduction, utility savings and delay to investments, £0.860m released from the contingency budget as not required and £0.53m underspend on historical pension costs. The movement from Period 9 is mainly due to a further £300k of Contingency budget release.

Children's Services (budget £135.666m, underspend £1.755m)

18. A key priority for the Council is to increase the effectiveness of services to improve outcomes for children and young people. This is delivered through effective leadership and management at a locality level and programmes of activity with key partners, adopting a targeted and systematic approach to improved standards of practice; early help and prevention, effective commissioning and market management and maximising efficiencies where appropriate in service delivery.

19. The £1.755m underspend for Children's Services is 1.3% of the £135.666m budget and indicates early achievement of some of the 2021/22 savings. The underspend has improved by £0.4m since December 2020 relating to reduced placement and looked after children associated costs. The outturn position includes £1.033m spend and income loss due to the pandemic.
20. The main variances on the Children's Services budget are summarised in the following paragraphs.
21. **Our Children placements (budget £47.8m, underspend £0.473m)** - The position reflects the progress that has been made through joint commissioning of specialist provision for children. The budget includes a contribution of £3.4m from Manchester Health and Care Commissioning (MHCC) towards the cost of these placements. There are regular resource tracking and monitoring multi-agency panels to ensure the level of accommodation and cost continues to be appropriate for the young person's needs. This has contributed to the underspend of £0.473m, which is a favourable movement of £0.894m since the last report.
22. **Permanence and Leaving Care placements (budget £18.345m, underspend £2.427m)** – The service has performed well in the discharge from care and avoidance of children coming into care through increasing the use of permanent Special Guardianship Orders with numbers increasing by 13 to 605 since the last report. Adoption Allowances and Child Arrangement Orders have recently been reviewed and as a result have reduced by 14 to 163. Home Office grant for Unaccompanied Asylum-Seeking Children (UASC) has increased due to a change in the amount that can be claimed per child.
23. **Children's Safeguarding Service Areas (budget £43.805m, underspend £0.768m)** - This includes a £1.498m underspend mainly relating to social work teams vacancies and regional adoption agency reduction in the expected cost of the commission. The underspends are partly offset by overspends in legal costs and early years totalling £0.730m. The Early years overspends relate to loss of income from Children's Centres rent.
24. There has been an adverse movement of £353k since December 2020 mainly due to greater than expected use of external legal services.
25. **Children's Strategic Management and Business Support (budget £4.785m, overspend £31k)** - This overspend relates to staffing.
26. **Education Services (budget £20.931m, overspend £1.882m)** - This budget includes Short Breaks and Education Psychology. The overspend relates to:
 - Education Service areas £311k overspend mainly due to Statutory assessment cost. Demand for Education, Health and Care plans has increased by 4% in 2020/21.
 - One-off revenue contribution to works outdoor education provision at Ghyll Head and School Organisation and Quality overspend totalling £431k following additional provision of support from the Contact Service and school improvement costs.

- Special Education Needs Transport which provides home to school and home to further education settings for children and young people in education with Education Health and Care Plans (EHCPs) is overspent by £383k relating to the cost of transport for children with Special Education Needs and Disabilities (SEND).
27. The position on Education budgets has had an adverse movement by £392k since the last report due to a reduced grant allocation to this area.
28. The service has reviewed its 'front door' arrangement (through which children access the service) to strengthen the response to identify children in need of help/protection and the 'multi-agency response' between our partners. The impact is being closely monitored. Due to COVID-19 and lockdown measures demand for services in 2020/21 has been affected. Evidence of pent-up demand is now being seen, the early help hubs are seeing an increase in requests for a targeted offer of intervention and requests for support which appear to be driven by hardship, intrafamilial relationships and incidents of domestic abuse. The Social Work Teams are now receiving requests for social work intervention that compare to 'pre-COVID-19' levels. Demand for Children's Services may increase as there are multiple factors influencing demand and activity for Children's Services such as deprivation, domestic abuse, substance misuse and adult mental health have been heightened due to the pandemic.

Dedicated Schools Grant (budget £321m, overspend £2.257m)

29. Dedicated Schools Grant (DSG) in 2020/21 totalled £560m, of which £239m was top sliced by the Department for Education for academy school budgets. DSG has overspent by £2.257m due to an increased spend in relation to children with special educational needs and need support in a special school or additional support in mainstream school settings. These costs are funded through the high needs part of the DSG budgets (High Needs Block). The DSG overspend previously reported has reduced by £1.219m. This change is due high needs block's termly special schools adjustments spend and out of city placements costs and early years spend for the spring term was lower than previously forecast.
30. In the Council's school funding settlement for 2021/22 there is an additional grant of £11.5m in the high needs block of the DSG to support children and young people with high levels of need. Based on the expected growth in demand for special school places and education, health, and care plans it is anticipated that half of the current years overspend can be set against next year's grant with the rest of the deficit being recovered by the end of 2022/23.

Adult Services (budget £235.234m, overspend £4.064m)

31. The final outturn position is an overspend of £4.064m, an improvement of £2.401m since the previous forecast as at the end of December. The breakdown of the overspend is split between £4.135m on the areas of social care within the Manchester Health and Care Commissioning (MHCC) Pooled

Budget, offset by a £71k underspend for Adult Social Care services outside of the pool. The overspend represents 1.73% of the £235.234m budget. The MHCC Pooled Budget for both health and social care is £1.196bn. The Clinical Commissioning Group (CCG) (health) element of the pooled budget was balanced for 2020/21.

32. The £4.135m overspend on the MHCC Pooled budget relates in the main to the following areas:
 - In-house Learning Disability Supported Accommodation overspend of £2.442m from ongoing and rising needs for care and support;
 - Older Peoples care budgets of £5.047m from additional COVID-19 costs;
 - Offset by underspends from the delayed opening of new extra care schemes of £1.070m;
 - And offset by underspends on Reablement, Day Care, Short Breaks, Population Health and other minor variations which total £2.284m.
33. The major variances are explained in the following paragraphs.
34. **In-house Learning Disability Supported Accommodation budget (LDSA), (Budget £13.404m, overspend £2.422m)** - The overall overspend is due to delayed recruitment resulting in additional agency spend to support the rising needs of residents within the service and the need to maintain a stable workforce throughout the COVID-19 pandemic. The stable workforce ensured risk to the clients and their support staff was minimised by minimising the number of staff they had contact with. The increase in the overspend of £0.589m from the last reported position is due to the creation of a reserve for the costs of essential fire safety requirements in the coming months. This work was delayed in 2020/21 due to access to the buildings being restricted apart from any essential needs of the residents.
35. There has been a net increase of 24 clients in LD supported accommodation this year which is indicative of increased cooperation across the wider system to place clients with the In-house service. In light of this a further review of the LDSA budget will be undertaken at the start of 2021/22.
36. **Residential and Nursing (Budget £19.635m, overspend £5.994m)** - This relates to adjustments for COVID-19 pressures, reflecting c200 clients who have been discharged from hospital and whose costs have been paid throughout 2020/21 by Health partners. These clients are yet to have a full care act assessment to ensure the most appropriate level of care in 2021/22. It is not yet known how many additional clients will require social care support. Therefore, the balance of anticipated spend not yet committed of £4.166m has been transferred to the corporately held adult social care reserve. This can be allocated once the full extent of the on-going financial cost of these clients is established, when they complete the assessment process. In the event any balance remains this can be utilised extend the life of the Adult Social Care reserve where spend is due to be mainstreamed in 2022/23 or support the Council's budget process. In addition, a £489k unallocated budget

for National Living Wage has been carried forwards in the Adult social care reserve to support and sustain the care market post pandemic, as providers adjust to new requirements.

37. Numbers of residential and nursing care placements for those aged 65+ who have not been discharged from hospital are 199 lower than 12 months ago and reflect the impact of the pandemic on this service area. The reduction in clients has resulted in reduced income levels and uncertainty regarding the numbers who will transfer back from health partners. It has been necessary to include an increase into the bad debts provision of £0.900m. Looking ahead to 2021/22, the 'Better Outcomes, Better Lives' programme will be seeking to place fewer clients in residential and nursing care through the provision of enhanced homecare packages. As the lockdown starts to ease it is expected that the numbers placed in care will start to increase and the estimated full year effect of that has been budgeted for in the 2021/22 budget process.
38. **Homecare (Budget £12.809m, underspend £477k)** The underlying underspend is £1.347m, partly offset by £0.870m COVID-19 related spend. The original 2020/21 budget included an assumption that homecare hours would increase. The impact of COVID-19 has meant the increase did not materialise as anticipated. During the year, the number of hours commissioned each week has fluctuated as referrals into the service from the wider community and hospital discharges have both been affected by COVID-19. However the number of hours commissioned in March 2021 was 30,842 hours per week which is higher than the position at March 2020 by 1,265 hours.
39. Strengthening of contractual arrangements and refinement of the 'control room' to speed up hospital discharges should ensure the service is well placed to accept the potential of significant new referrals into the service in 2021/22. The development of the 'Better Outcomes, Better Lives' work is expected to lead to reductions in homecare packages in 2021/22 as a more enhanced service offer is implemented. Savings of £0.635m are expected as expansion of the Reablement service continues and the utilisation of additional Technology Enabled Care (TEC) is embedded.
40. **Learning Disability Services (Budget £55.299m, underspend of £47k) -** The externally commissioned services underspent by £47k which includes £372k of specific Covid-19 costs. This is an improvement of £290k from period 9 and reflects further reductions in client numbers across the service. The most significant reduction is in supported accommodation placements which started the year at 354 and have reduced to 310 as at 31 March 2021. This reduction in placements needs to be considered alongside the increase in the in-house supported accommodation placements and it may be necessary to consider realignment of these budgets in 2021/22.
41. **Mental Health services (Budget £29.054m, overspend £277k) -** The budget for Mental Health services overspent by £277k which is an increase of £93k since the last report. The number of clients placed with the service has fluctuated across the year and reflects the widely reported pressures on

mental health services across the country due to COVID-19. The final year end position is a net increase of 6 clients in supported accommodation, (movement from 263 to 269), however the peak during the year was 282 and it is presumed that this fluctuation will continue through 2021/22. The number of mental health residential and nursing placements has reduced by 20 across the year, with 19 of those being placements for those aged 65 and over.

42. **Social worker establishment - INT and hospital teams (Budget £6.856m, overspend £165k).** There was an overspend on the social worker staffing budgets of £165k. This reflects the extending of the interim agency placements to support the service to carry out safe assessments during the pandemic.
43. **Reablement Service (Budget £5.361m, underspend £1.531m).** The Reablement Service underspent due to a delay in recruiting and training staff across the year and the redeployment of staff to support a care home in financial difficulties. Recruitment to vacant posts will be critical in 2021/22 if the service is to support reductions in care packages.
44. **MLCO Commissioning budgets for extra care and sheltered housing (Budget £4.277m, underspend £1.209m)** - COVID-19 has had a negative impact on delivery of planned extra care schemes. This underspend is an increase of £299k since December and reflects a delay in the new scheme at Brunswick only becoming fully operational in March rather than the expected January completion date. Additional remedial work and costs were absorbed by the contractor.
45. **Internal Day Care (Budget £3.240m, underspend by £306k)** - The day care service underspent due to the limited service which they could offer during lockdown and a repurposing of staff to support COVID-19 pressures elsewhere across the council.
46. **Other services across the MLCO providers services portfolio (Budget £5.611m, underspend £248k).** This underspend in the main reflects an underspend on the short breaks service of £249k and across the short term intervention team of £313k as they complied with government guidelines during lockdown and an underspend on the information and advice service due to recruitment delays. These underspends are partly offset by equipment and adaptations pressures of £187k due to lost income, as they struggled to access individuals houses to complete building assessments during lockdown and support for the residential care market of £167k at the start of the pandemic.
47. **Other care (Budget £2.002m, underspend £470k)** - The other care budgets underspent by £470k. This was due to a reduced service offer from external day care providers and reduced numbers of clients in external supported accommodation placements for those aged over 65 years.
48. **Carers (Budget £0.714m, underspend £99k)** - The carers budget had an underspend of £99k at year end which is smaller than previous years and

reflects an uptake in the improved carers offer.

49. **Public Health budgets (Budget £46.075m, breakeven).** As reported throughout the year, Public Health staff were deployed into a variety of roles to support contact tracing and the vaccination programme. COVID-19 grants were maximised in full where appropriate to do so.
50. **Other budgets within the pool (Budget £26.041m, overspend £84k).** The main reason for the overspend is covid costs against the voluntary sector contracts partly offset by staffing underspends on business support services due to delays in the reorganisation of the service.
51. **Adult Social Care Costs Outside the pool (Budget £4.856m, underspend £71k).** This is due to reduced use of external best interest assessors in the Safeguarding Team in the last few months of the year.
52. Due to the pressures on the pooled budget MHCC have contributed £8.7m to the Adult Social Care Pool to support adult social care budget pressures including those arising from COVID-19 costs. The council had already planned to cover these costs from its COVID-19 related costs from emergency grant funding and other resources. The MHCC contribution will enable the Council to carry forward a total of £9.2m to ensure there is sufficient funding to sustain services in 2021/22 and beyond. The carry forward will be made via the 2021/22 in the Integration reserve which is within the S75 pooled budget arrangements. As the resources will be maintained within the pooled arrangements the transfer to reserves will be accounted for within the Adult Social Care budget. The pooled budget position after the MHCC contribution is an underspend of £5.1m. Once the carry forward of resources of £9.2m is accounted for the position for adult social care is £4.1m and this is what will show in the Council accounts.
53. Manchester's Adult Social Care Improvement Programme remains the driver for significant change and longer term sustainability, primarily via the Integrated Neighbourhood Teams (INTs). Mobilised INTs with their closer worker relationships and improved communication across social workers, district nurses, GPs and community mental health teams have been critical in managing the response to Covid-19. Primarily this has supported the safe discharge of patients from hospital into care settings appropriate for their needs. Full Care Act assessments alongside health nursing assessments are still ongoing with protocols and funding agreements in place for the first quarter of 2021/22. All ASC assessments will continue to build on the 'strengths based' approach which is now being embedded through the 'Better Outcomes, Better Lives' programme.

Homelessness (budget £17.777m, overspend £7.423m)

54. The reasons for the overall overspend are outlined in the following paragraphs.

55. **Covid-19 response (budget £2.068m, overspend £5.153m).** Homelessness has been at the forefront of the Council response to COVID-19 and effectively delivered the government's 'Everyone In' programme since its inception, providing accommodation for people sleeping rough in the city. This provision has continued to ensure that residents in temporary accommodation do not return to the streets while move on accommodation with the correct level of support is developed, supported by MHCLG and partner organisations in line with the 2021/22 budget reports.
56. **B&B/Single people Accommodation (budget £6.396m, overspend £916k)** This includes cold weather provision of £315k which had been expected to be grant funded. The number of individuals presenting increased due to COVID-19, as sofa surfers and insecure lodgers were asked to leave their accommodation, and part of the economic consequences of the pandemic were realised. It is anticipated the number of people sleeping rough will also increase as lockdown lifts and this has been recognised in the 2021/22 budget setting process. Families have reduced in B&B over the COVID period. This has been due to a small fall in presentations and a significant amount of work by the team to move people out of B&B during the pandemic and fully utilising the opportunities of landlords wanting to rent homes, whilst the rest of the population were in lockdown.
57. **Dispersed Accommodation (budget £3.646m, overspend £0.856m)** increased costs due to a lack of move on to the Private Rented Sector. The families in dispersed accommodation have increased by 306 from last year as people have been moved into it, however the team has been unable to move people out of temporary accommodation. The total number of Dispersed properties as at the end of March 2021 was 1,969. The homeless service has returned to business as usual with inspections starting again with landlords to improve standards, and increased visits at properties where people struggled to engage virtually.
58. **Overspend of £1m due to an increase in the bad debt provision,** following a review of the bad debt provision which has now been increased to capture the impact of the Universal Credit roll out which resulted in a shortfall in housing costs met by benefits.
59. **Support Services (budget £5.667m, underspend £0.502m)** This is a result of staff movements to COVID-19 priority response areas, where there have been delays in back filling substantive posts as well as areas where spend has been held back without impacting on service delivery to offset budget pressures as a result of the pandemic response.
60. Overall there has been an increase of £1.040m in Homelessness overspend since last reported to the Executive. The variances are due to:
- An increase in need linked to cold weather provision (£315k) - it had previously been assumed this would be grant funded.
 - Increased demand for Bed and Breakfast provision in final quarter (£278k).

- Increased numbers in Dispersed Accommodation due to a lack of move on to the Private Rented Sector due to third lockdown (£447k).

61. **Corporate Core (budget £97.534m, overspend £4.220m)**

62. **Corporate Services (budget £81.325m, overspend £4.105m).** The main variances are as follows:

- **Policy and Partnerships (budget £9.390m, £322k overspend)** This is due to £320k of community projects charged to revenue, a reduction in project income of £218k due to lower volume of project activity and £28k running costs. This is partly offset by £244k underspend on employee budgets due to vacancies and the timing of recruitment.
- **Revenue and Benefits (budget £34.555m, overspend £1.513m)** This is due to £1.956m reduced court fee income because of lower volumes as the courts have been closed for periods of time due to COVID-19. This is partly offset by £117k savings on employee budgets due to vacancies and the timing of recruitment and £326k reduced running costs which include bank charges, costs of cash collection, reduced bad debt provision and licence costs.
- **ICT (budget £13.746m, overspend £3.740m)** This is made up of £2.477m project costs funded by revenue, £1.307m additional equipment to support flexible working due to Covid-19, £101k shortfall in the staff capital charge to projects, £80k decommissioning costs of the data centre and £57k other running costs. This is reduced by £282k savings on employee budgets due to the number of vacant positions.
- **Capital Programmes (budget (£31k), overspend £422k)** This is due to reduced fee income because of delays to some capital schemes due to COVID-19.
- **Human Resources and Organisational and Development (budget £4.119m, overspend £176k)** due to voluntary severance costs.
- **Equality, Diversity and Inclusion (budget £242k, overspend £16k)** due to voluntary severance costs
- **Staffing Underspends (budget £19.811m, £1.966m)** across services due to savings on employee budgets in relation to vacant positions, some of which were being held for 2021/2022 savings, and the timing of recruitment: People Reform and Innovation £183k, Performance Research and Intelligence £26k, Procurement and Commissioning £162k, Financial Management £461k, Audit and Risk Management £399k, Shared Service Centre £339k, Customer Services £359k and Commercial Governance £37k.
- **Corporate items (budget £476k, underspend £118k)** due to savings on paying 3 years upfront pension costs of £250k reduced by an increase in bad debts and bank charges of £132k.

63. **Chief Executives (budget £16.209m, overspend £115k).** The main variances are as follows:

- **Coroners and Registrars (budget £2.348m, overspend £0.592m)** due to reduced income from ceremonies and increased costs of the council's

contribution towards the temporary mortuary.

- **Communications (budget £3.371m, overspend £399k)** due to reduced income.
- **Corporate items (budget £1.295m, overspend £0.612m)** is made up of the following:-
 - increased bad debt provision (£107k)
 - Manchester Central historic catering costs (£250k),
 - reduction in the purchase of the annual leave scheme (£255k).

64. This is partly offset by underspends as follows:
- **Elections (budget £1.079m, £309k underspend)** due to cancelled elections in May 2020.
 - **Legal Services (budget £7.129m, underspend £0.955m)** due to increased income and savings on employee budgets.
 - **Executive (budget £0.987m, underspend £224k)** due to the reduced number of civic ceremonies due to Covid-19.
65. The Corporate Core £4.220m overspend has reduced by £198k since the previous report due to additional income in legal and registrars partly offset by severance costs paid out to staff leaving the council under the voluntary severance scheme from across the Corporate Core.

Neighbourhoods Directorate (budget £114.714m, overspend £13.205m)

66. The overall £13.205m overspend is made up of a Neighbourhood Services overspend of £10.312m and £2.893m on Highways.
67. Further detail on the main Neighbourhood Services variances totalling £10.312m are set out below:
- **Community Safety and Compliance (budget £27.253m, underspend £311k)** This is due staffing underspends because of vacant positions and the timing for recruitment due to COVID-19, these amount to £0.754m and are offset by net Covid related income losses of £413k.
 - **Libraries, Galleries and Culture (budget £10.198m, underspend £345k)** This is made up of reduced staff costs £494k because of vacant posts and the use of apprentices within Library Services, reduced running costs £68k offset by £217k of income losses because of Covid 19.
 - **Other Business Units (budget (£462k) underachievement £280k)** Bereavement Services and Pest Control have overachieved against their income targets by a total £0.567m but Manchester Fayre has reported an underachievement of £0.847m mainly as a result of the decision not to draw down from the school catering reserve which was set aside to smooth price increases and will now be available to support any residual costs whilst the service transitions away from MCC in 2021/22.
 - **Manchester Markets (budget (£1.731m) underachievement £5.138m)** Due to COVID-19 it was not possible to hold the 2020 Christmas Markets and the resulting loss of income was £1.673m. Manchester Markets have been closed for large parts of the year and have had to operate on

reduced capacity when able to open, this has resulted in an overall shortfall of £3.465m.

- **Parks, Leisure Youth and Events (budget £9.010m, overspend £3.465m)** This is made up of: -
 - £2.621m support provided to Greenwich Leisure Limited (GLL) to cover the fixed cost of the Council's leisure and sports facilities.
 - £375k reduced income because of the cancelled 2020 Park life concert.
 - £426k loss of income from the Aquatics Car Park.
 - Net £43k other miscellaneous variances.
- **Advertising (income target £2.663m, underachievement £1.873m)**
Due to the impact of COVID-19 the advertising Income has underachieved by £1.873m. The shortfall is made up of a combination of two areas, they are large format advertising and the small format advertising contracts. The large format contract is an existing contract that has been impacted because of reduced footfall and visitor numbers, whilst the small format contract was due to be let in January 2021 but due to a combination of the pandemic and ongoing discussions around site numbers the contract has been delayed and will now commence in Summer 2021.
- **Waste (budget £50.585m overspend £446k)** Due to the lockdown and the increased volume of domestic waste there were increased costs of both collection and disposal. Whilst GMCA (Greater Manchester Combined Authority) funded the increased costs of waste disposal, the City did incur additional costs of £446k for costs of collection due to additional vehicles and crews and additional bin requests.
- **Other Neighbourhoods Services (budget £7.783m underspend £234k)** Other variations from budget include underspend in both Neighbourhood Teams £168k and Grounds Maintenance £73k due to revised recruitment assumptions, increased income in Fleet Services of £54k offset by increased provision for bad debts £53k and minor variations in other Neighbourhoods of £8k.

68. The Neighbourhoods overspend has increased by £2.002m from the position reported previously. The change is due to a £1.873m reduction in Advertising income due to COVID-19, Manchester Fayre overall position is £0.760m less, due to a combination of further lockdown in January and not drawing down from the catering reserve and the markets overall position has changed because an increased bad debt provision has been provided to reflect the difficult trading position for market traders. The adverse changes have been partly offset by £0.694m reduction in the forecast for Leisure as a result of reduced support provided to Greenwich Leisure Ltd (GLL), reduced costs of £165k within Neighbourhood Teams due to lower than forecast charges for sink hole remediation, £157k increased income in Bereavement Services and other net underspends of £167k across the Directorate.

69. **Highways Service (budget £14.741m, overspend £2.893m).** This is made

up of £2.719m reduced off street carparking income in quarter 4 following the bringing back in house, £229k in Network Management mainly due to increased bad debt provision, and £150k additional CCTV costs for monitoring of the off street car parks. This is reduced by underspends on Accident and Trips £103k due to reduced numbers of claims and employee savings in Manchester Contracts £102k through vacant posts.

70. This is an improvement of £405k since the previous report as at the end of December. The movement is made up of £461k additional grant funding towards social distancing works in the city centre and increased off street carparking income of £319k in quarter 4 offset by additional £150k CCTV costs for off street parking following transfer to a new contractor and a £225k increase in the bad debt provision.

Growth and Development (budget £12.827m, overspend £3.133m)

71. The outturn position of £3.132m overspend is an adverse movement of £168k from that reported at the end of December. The overall overspend of £3.132m is made up of overspends in the following areas:

- **Investment Estate (income target 11.887m, shortfall of £1.652m)**

Considering tenants reduced abilities to pay their rents the Council are continuing to work with businesses to provide support, there has been

a

need to increase the level of bad debt provision to recognise the reduced payments in year.

- **Facilities Management (budget £9.687m, overspend £0.576m)**

This is due to the loss of income from Manchester Fayre (£0.800m), offset by underspends that were mainly related to staffing.

- **Operational Property (budget £8.273m, overspend £397k)**

Spend on Estate Transformation was mainstream funded instead of utilising reserves (£925k), additional costs at Wythenshawe Hall (£141k), and an income shortfall of £70k at Abraham Moss Centre, offset by savings on utility costs at the Town Hall Complex (£167k), business rate refunds and water charge savings across the rest of the Estate (£233k), staffing costs £200k, savings at Alex House of £109k (mainly business rates), and other smaller savings totalling £30k.

- **Planning, Building Control & Licensing (budget (£0.588m) overspend of £375k)**

Income shortfalls in Taxi Licensing, Premises Licensing and Building Control being partly offset by additional Planning income.

- **Directorate management – (budget £164k) overspend of £178k**

Costs funded through mainstream resources and not utilising reserve as originally planned.

- **MCDA (Manchester Creative Digital Assets) – (budget nil) overspend of £122k**

Loss of income because of the pandemic. The full year income loss was in the region of £1.8m, but this was mitigated by reduced costs and the deferring of spend to save recharges.

- **The Community Hub - (budget £2.946m) net overspends of £452k**
The Community Hub has continued to provide ongoing support to the most vulnerable and the net cost of this support was £452k.

72. The above overspends are offset by:

- **Housing & Residential Growth - (budget £1.445m) underspend of £478k** staffing underspends across Housing & Residential Growth
- **Work & Skills - (budget £1.873m) underspend of £81k**
As a result of savings on project costs
- **City Centre Regeneration - (budget £914k) underspend of £60k**
Staffing savings arose following the transfer of the Planning & Infrastructure team

Housing Revenue Account

73. The Housing Revenue Account (HRA) outturn position is a £22.735m favourable variance. The two main variances are £21.303m due to reduced revenue contribution towards capital expenditure because of both delay and slippage on the approved capital programme mainly because of the implications of COVID-19 and £2.052m lower than forecast PFI (Public Finance Initiative) payments due largely to slippage in the planned installation of sprinklers at both Miles Platting and Brunswick because of access issues due to Covid-19.

74. As part of the annual HRA budget the budget for bad debt provision has been increased by 0.5% per annum to allow for the projected increase in arrears following the roll out of Universal Credit. There continues to be delays in the roll out of Universal Credit and there is ongoing proactive work to support residents, so the forecast bad debt requirement is £394k less than budget. In addition, there was additional income of £347k, mainly housing rents due to a reduced number of Right to Buy sales, which were affected by the pandemic. These underspends were offset by:

- Increased ALMO management fee £285k largely due to increased costs of the agreed pay awards, additional costs in respect of supplier relief payments because of Covid-19 and costs of Riverdale Estate demolition
- £76k overspend is the net impact of several other minor variances across budgets.

75. The HRA is a ring-fenced account and any surplus/deficit in year must be transferred to/taken from the HRA General and Major Repairs reserves. For 2020/21, £5.103m has been transferred to the HRA reserve (opposed to budgeted transfer from reserves of £18.632m). This leaves a balance of £81.115m in the HRA General and Major Repairs reserves. The 30-year business plan currently forecasts that reserves will be exhausted by 2041/42, and this is before the cost of achieving zero carbon is considered. Work is ongoing to identify efficiencies that ensure that the reserves are kept at a sufficient level to underwrite risk and to fund future investment needs as required.

Savings Achievement

76. The 2020/21 budget included approved savings of £7.463m. The capacity to deliver savings has been greatly reduced with the impact of COVID-19. £1.670m has not been achieved as planned, these are reflected as overspends in the directorate position.

	Savings Target 2020/21		
	Achieved	Not achieved	Total
	£000	£000	£000
Children's Services	0	0	0
Adults Social Care	0	0	0
Homelessness	0	1,000	1,000
Corporate Core	3,303	146	3,449
Neighbourhoods Directorate	2,047	277	2,324
Growth and Development	443	247	690
Total Budget Savings	5,793	1,670	7,463

77. The unachieved savings relate to the following:
- Homelessness £1m from a reduction in the councils cost of temporary accommodation through transfer to registered providers is not being achieved due to the need for the Homelessness service to focus on the COVID 19 response. Work is ongoing to implement a pilot with a registered provider with the first tranche of properties transferring in April 2021. Savings are expected to be delivered in full in 2021/22.
 - Corporate Core - £146k
 - £96k from annual leave purchase scheme
 - £50k Capital programmes underachievement of income due to slippage
 - Neighbourhoods Directorate - £277k
 - £40k Galleries exhibition tax relief.
 - £46k Libraries and galleries increased income generation due to closures
 - £86k from revised operating model at Piccadilly Market
 - £105k Increase income generation through fees and charges across Compliance Services.
 - Growth and Development - £247k
 - £247k Investment Estate additional income target delayed due to the additional lead time for developers and the impact of Covid-19.
78. It is anticipated that as restrictions continue to be relaxed the unachieved savings will be achieved in 2021/22, these will be kept under review.

General Fund Reserve

79. The opening 2020/21 General Fund reserve position was £21.353m and the 2020/21 budget assumed a transfer to the General Fund reserve of £1.597m giving a balance of £22.950m. At 2021/22 budget setting the City Treasurer determined the General Fund reserve balance should be increased to £25m, funded through a £2.050m transfer from Business Rates reserve. Given the outturn position and the risks and volatility around Business rates income it is proposed the increase to general fund reserve be funded from the 2020/21 underspend instead.
80. The forecast position excluded the impact of any variance at the end of the 2020/21 financial year. As the actual outturn position is an underspend of £3.854m the balance on the General Fund Reserve at 31 March 2021 is £26.804m.
81. There are requests to carry forward resources totalling £1.470m, detailed at Appendix 1. If these are approved this will be a first call on the General Fund reserve in 2021/22, reducing it to £25.334m.

Grants allocated to Manchester City Council in year

82. The revised budget includes a specific grant of £0.747m which was not confirmed at the time of the 2020/21 budget setting process and therefore has now been considered through the in year Revenue Gateway process. This is from Public Health England for additional drug treatment crime and harm reduction funding. The funding will provide additional capacity to respond to the challenges presented by drug driven crime.

Conclusion

83. Taking into account the forecast financial implications of COVID-19, the directorate work on identifying additional savings and any other known budget changes and confirmed government funding the budget is balanced for 2020/21, with a contribution to General Fund reserve.
84. The 2021/22 budget is also balanced, however from 2022/23 the financial outlook is uncertain and the position becomes challenging.

Appendix 1 Carry forward requests (subject to approval)

Directorate	Service Area	Carry forward Amount	Description
		£000	
Additional approved Investment which has slipped due to the pandemic:			
Neighbourhoods Directorate	Waste	250	£250k investment to fund Spring Clean activity was approved for 2020/21, but because of Covid restrictions the planned activity did not happen. Following relaxation of Covid restrictions there has been an increase in the volume of residents undertaking litter picking activities in their area. Carry forward is requested to support these activities across the city.
Growth and Development	Digital Cities	250	£250k budget was earmarked for delivery of the Digital Cities project in 2020/21. However, delivery of the programme did not happen in 2020/21 because of Covid restrictions. Carry forward of the £250k is requested to enable the programme to proceed and if approved will be applied £175k in 2021/22 and £75k in 2022/23. The carry forward will be in addition to the £250k budget already agreed in 2021/22.
Planned investment that has been delayed due to pandemic:			
Corporate Core	Legal Services	157	To fund 3 time limited resources to support implementation of a new Legal Services case management system. This will support hybrid working and, enable the service to become paper light and reduce admin tasks.
Corporate Core	Elections	300	£300k to part fund the costs of the Local and GM Mayoral Election in May 2021. This year there is the added cost pressure of ensuring that both polling stations and the count are covid safe. The costs include additional PPE equipment including screens and additional venue and staff costs to ensure Covid safety.
Corporate Core	HROD	400	Learning and Development budgets have underspent across the council due to COVID-19. The service would like to reinvest this underspend in 2021/22 for further learning and development, including increased learning on equality and diversity, management accountabilities and leadership.
Other carry forward requests:			
Corporate Core	Policy & Partnerships	58	To fund a 12-month time limited resource for a Resident & Communities lead to work on the Zero Carbon Communities Programme. This is a key programme within the Manchester Climate Change Partnership.
Neighbourhoods Directorate	Parks, Leisure & Events	55	To fund the costs of repairing damage to the Parks and Green Spaces infrastructure because of damage caused by Storm Christoph.
		1,470	

Appendix 2 - Central Government COVID-19 Funding Announcements

1. COVID-19 grants totalling £470.135m have been received by the Council for financial year 2020/21, these grants are listed in the second table below. The vast majority (£341.643m) relate to support for local businesses. Note only the confirmed emergency funding of £64.8m and £12.4m forecast for Sales Fees and charges losses are available to support the direct additional costs and income shortfalls faced by the Council. The remaining grants are either directly passed on to businesses or residents or earmarked for specific priorities such as test and trace.
2. Grants totalling £30.044m will be carried forward to support COVID-19 related spend in future years, in line with grant conditions. These are shown in the table below.

	Received	Spent in 2020/21	Carried Forward
	£000	£000	£000
Contain Outbreak Management Fund	15,226	340	14,886
Test and trace service Public Health	4,837	1,420	3,417
LA Practical Support Framework	185	0	185
Community Champions Fund	621	100	521
National Leisure Recovery Fund	1,421	493	928
Clinically extremely vulnerable	1,889	321	1,568
Test and Trace Support Payments (Self-Isolation Support)	1,839	1,014	825
Additional Restriction Grant (business support)	16,609	8,895	7,714
Total	42,627	12,583	30,044

3. The COVID-19 grants and associated spend are now reflected in the revised budget shown in table one. Since the last monitoring report to Executive on 17 February there have been further government grant allocations to be reflected in the budget as follows:
 - **Adult Social Care - Local Authority Community Testing Grant - £1.132m.** This grant is to enable local authorities with high prevalence of COVID-19 to work in partnership with the UK government to accelerate a reduction in prevalence by identifying asymptomatic cases through local testing and supporting them to isolate.
 - **Operation Eagle - South of City - £102k.** This is for surge testing following identification of a specific variant of Covid 19.
 - **Neighbourhood Services - National Leisure Recovery Fund - £1.421m.** This is funded by Sport England for local authorities who have outsourced the leisure function.
 - **LA Framework / Practical Support for those Self-Isolating - March Instalment - £185k** - This funding stream is ringfenced for public health

purposes to tackle COVID – 19 working to break the chains of transmission and protecting people.

- **LRSB Closed Add Jan (16 Feb -31 March) - £17.579m** - To provide support to Manchester businesses that closed during lockdown.

4. There have also been updates and additional funds relating to grants previously announced as follows:

- **Children's Services - Easter Hardship Fund / Winter Extension Grant - £0.897m** - The grants are primarily for helping families buy essentials, with at least 80% of funds ring-fenced to be spent on food, energy and water bills, with 20% available for other associated essential costs. Councils can also offer support to vulnerable individuals and households without children. This brings the total grant receipt to £3.478m
- **Work and Skills and MAES - Clinically extremely vulnerable support December 2020 – March 2021 - £1.337m** – This is being used to provide support, such as access to food deliveries and signposting to local support services, to the most at risk and enable them to stay at home as much as possible over this period. Note, this is in addition to the £0.552m previously awarded, bringing the total to £1.889m.
- **Revenues and Benefits - Test and Trace Support Payment - £1.159m** - New burdens funding provided by government for the Test and Trace Support Payment Scheme, which awards £500 to individuals who are told to self-isolate by the NHS Test and Trace or the COVID-19 App, are employed or self-employed, unable to work from home, losing income as a result and in receipt of one of the seven qualifying benefits. Note, this is in addition to the £680k previously awarded, bringing the total to £1.839m.
- **Neighbourhood Services - Contain Outbreak Management Fund - £5.054m** The Department of Health and Social Care announced this grant to fund activities such as enforcement, compliance and contact tracing. The COVID-19 Winter Plan was published 23 November, this included an extension to the Contain Outbreak Management Fund to recognise the ongoing public health and outbreak management costs to Local Authorities of tackling COVID-19. This is in addition to the £10.172m previously awarded giving a total COMF grant of £15.226m.

Funding	Manchester Allocation	Memo: Budget treatment		
		Specific Directorate Budget Increase £000	Emergency Funding	Transfer payment *
	£000	£000	£000	£000
Grants announced since last Executive report:				
Local Authority Community testing	1,132	1,132		
Operation Eagle – South of City	102	102		
Neighbourhood Services - National Leisure Recovery Fund	1,421	1,421		

LA Framework / Practical Support for those Self-Isolating - March Instalment	185	185		
LRSO Closed Add Jan (16 Feb -31 March)	17,579			17,579
Grants increased since last Executive report:				
Children's Services - Easter Hardship Fund / Winter Extension Grant	897	897		
Work and Skills and MAES - Clinically extremely vulnerable support December 2020 – March 2021	1,337	1,337		
Revenues and Benefits - Test and Trace Support Payment	1,159	1,159		
Contain Outbreak Management Fund - 27th Jan - 31st March and 2021/22	5,054	5,054		
Grants Approved in previous Executive reports:				
Cross Cutting				
Sales, fees and charges grant claim	12,422	-	12,422	
COVID-19 Emergency Funding for Local Government - (£1.6bn nationally) - first tranche**	18,200		18,200	
COVID-19 Emergency Funding for Local Government - (£1.6bn nationally) - second tranche	15,167	-	15,167	
COVID-19 Emergency Funding for Local Government - (£0.5m nationally) - third tranche	7,085	-	7,085	
COVID-19 Emergency Funding for Local Government - (£0.9bn nationally) - fourth tranche	24,330	-	24,330	-
Social Care / Testing:				
Workforce Capacity Fund	1,177	1,177		
Support increased rapid testing in care homes	816	816		
Test and trace service (£300m nationally)	4,837	4,837	-	-
Infection Control Round 2 (£546m nationally)	2,964	2,964	-	-
Care Home Infection Control Fund Round 1 (£600m nationally)	3,184	3,184	-	-
Neighbourhoods:				
Neighbourhood Services - Cultural recovery	882	882		
Neighbourhood Services - Community Champions Fund	621	621		
Neighbourhood Services - Contain Outbreak Management Fund**	10,172	10,172		

Local Authority Compliance and Enforcement Grant	453	453	-	-
Growth and Development:				
Local Welfare Assistance Fund	957	957	-	-
Clinically Extremely Vulnerable individuals advised to shield	552	552		
Childrens:				
Winter Grant Scheme	2,581	2,581	-	-
Homelessness:				
Next Step Accommodation Grant, cold weather provision and landlord incentive funding	2,000	2,000	-	-
Emergency Support for Rough Sleepers	68	68	-	-
Corporate Core:				
Test and Trace Support Payment	680	680	-	-
Council Tax Hardship Fund	7,458	623	-	6,835
Reopening High Streets Safely Fund	203	203	-	-
Local Authority Business Rates Grant Administration (New Burden)	225	225	-	-
Administering Business Rates Relief (New Burden)	12	12		
Council Tax Hardship New Burdens	58	58		
Local Auth Disc Grant Fund New Burdens	101	101		
Support for Businesses:				
Expanded Retail Discount 2020/21 (excludes 1% for Fire Authorities)	138,477	-	-	138,477
Revenues and Benefits - Small Business Grant Fund and Retail, Hospitality and Leisure Grant Fund	105,870	-		105,870
Local Authority Discretionary Grants Fund	5,432	5,432		
Local Restriction Support Grant (open)	7,665	-	-	7,665
Local Restriction Support Grant (closed)	427	-	-	427
Local Restriction Support Grant (sector)	-	-	-	
Local Restriction Support Grant (closed addendum) - National Lockdown	7,054	-	-	7,054
LRSB Closed Add Jan	16,780	-	-	16,780
Closed Business Lockdown Pay	21,077	-	-	21,077
£1k to pubs in tier 3	245	-	-	245
Local Restriction Support Grant (open) Version 2	199		-	199
Local Restriction Support Grant (closed) Version 2	4,229	-	-	4,229

Local Restriction Support Grant (closed addendum) - Tier 4			-	
Additional Restrictions Grant (£60m allocated to Greater Manchester)	16,609	16,609	-	-
Total grants	470,135	66,494	77,204	326,437

*The Council is acting as agent to administer the government scheme for grants to businesses. As the Council is acting as agent these payments will be netted off the grant received and will not be shown gross in the budget.

**Manchester allocation for Tranche 1 Emergency Funding was £18.589m, of which £389k was applied in 2019/20 with the balance supporting 2020/21.

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Manchester City Council Report for Information

Report to: Audit Committee – 27 July 2021

Subject: Treasury Management Annual Report 2020/21

Report of: Deputy Chief Executive and City Treasurer

Purpose

To report on the Treasury Management activities of the Council 2020/21.

Recommendations

The Audit Committee is asked to note the contents of the report.

Wards Affected: Not Applicable

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Background documents (available for public inspection):

Treasury Management Strategy Statement and Borrowing Limits and Annual Investment Strategy Report 2020/21 (Executive - 12 February 2020, Resource and Governance Scrutiny Committee - 24 February 2020, Council - 6 March 2020).

1 Introduction and Background

- 1.1 Treasury Management in Local Government is regulated by the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management in Local Authorities (the Code). The City Council has adopted the Code and complies with its requirements. A primary requirement of the Code is the formulation and agreement by full Council of a Treasury Policy Statement which sets out Council, Committee and Chief Financial Officer Responsibilities, and delegation and reporting arrangements.
- 1.2 CIPFA amended the CIPFA Treasury Management in the Public Services Code of Practice in late 2011. The revised Code recommended local authorities include, as part of their Treasury Management Strategy Statement, the requirement to report to members at least twice a year on the activities of the Treasury Management function. This report, along with the Interim Treasury Management report received by the Audit Committee on the 10th November 2020, therefore ensures that the Council meets the requirements of the Strategy, and therefore the Code.
- 1.3 Treasury Management in this context is defined 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’.
- 1.4 This outturn report covers:
- Section 1: Introduction and Background
 - Section 2: The Council’s Portfolio Position as at 31st March 2021
 - Section 3: Review of Economic Conditions 2020/21
 - Section 4: Public Works Loans Board (PWLB) Consultation
 - Section 5: Treasury Management Borrowing in 2020/21
 - Section 6: Compliance with Prudential Indicators and Treasury Limits
 - Section 7: Investment Strategy for 2020/21
 - Section 8: Temporary Borrowing and Investment Outturn 2020/21
 - Section 9: COVID-19 Pandemic and Negative Rates
 - Section 10: Conclusion
- Appendix A: Public Works Loans Board (PWLB) Interest Rates
 - Appendix B: Treasury Management Prudential Indicators
 - Appendix C: Review of Economic Conditions, provided by advisors
 - Appendix D: Glossary of Terms

2 The Council’s Portfolio Position as at 31st March 2021

- 2.1 As outlined in the approved Treasury Management Strategy Statement (TMSS) for 2020/21 it was anticipated that there would be a need to undertake some permanent borrowing in 2020/21 to fund the capital programme and to replace some of the internally borrowed funds.

- 2.2 As noted in the interim report, the Council continues to face unparalleled circumstances due to the COVID-19 pandemic which puts significant strain on cash due to the reduction in income from business rates, council tax, and other sources. Temporary borrowing was required during the first half of the year to unwind internal borrowing and further support the cash flow throughout the pandemic.
- 2.3 As suggested in the interim report, additional temporary borrowing was required in the second half of the year to maintain liquidity in the ongoing turbulent market environment whilst supporting COVID-19 related activities and underlying budgeted activities.
- 2.4 The Council's debt position at the beginning and the end of the year was as follows:

Loan Type	31 st March 2020				31 st March 2021			
			Principal	Average			Principal	Average
	GF	HRA		Rate	GF	HRA		Rate
	£m	£m	£m	%	£m	£m	£m	%
PWLB	150.0	0.0	150.0	2.45	150.0	0.0	150.0	2.45
Temporary Borrowing	30.8	0.0	30.8	0.98	177.2	0.0	177.2	0.67
Market Loans	336.8	61.9	398.7	4.48	336.8	61.9	398.7	4.48
Stock	0.9	0.0	0.9	4.00	0.9	0.0	0.9	4.00
Government Lending	26.8	0.0	26.8	0.00	23.5	0.0	23.5	0.00
Gross Total	545.3	61.9	607.2	3.60	688.4	61.9	750.3	3.03
Temporary Deposits	(128.4)	0.0	(128.4)	0.33	(27.4)	0.0	(27.4)	0.03
Internal Balances (GF/HRA)	42.3	(42.3)	0.00	0.00	58.4	(58.4)	0.00	0.00
Net Total	459.2	19.6	478.8	-	719.4	3.5	722.9	-

- 2.5 The temporary borrowing and deposit figures fluctuate daily to meet the cash flow requirements of the Council. The figures for these categories in the table above represent, therefore, a snapshot at a particular point in time.
- 2.6 Throughout the financial year 2020/21 a total of £367.3m of new temporary borrowing was taken and a total of £220.9m matured. The structure of this borrowing varied to better manage the Council's liquidity position, consisting of £109.3m on call basis, £90.0m on notice, £15.0m on 6months fixed maturities, £150.0m on 364 fixed day maturities, and £3.0m on 2-year fixed maturities. The loans were mainly sourced from other local authorities, and the rates continued to reflect the low rate environment.
- 2.7 Total Government Debt dropped from £26.8m to £23.5m due to the repayment of £3.3m SALIX loans.
- 2.8 Total Gross Debt has therefore increased by £143.1m throughout the financial year 2020/21.

3 Review of Economic Conditions 2020/21

- 3.1 The Bank of England maintained the lending rate at 0.10% throughout the financial year since March 2020 when the key lending rate was dropped initially from 0.75% to 0.25% followed by a further reduction to 0.10% on the 19th of March 2020.
- 3.2 Appendix C provides a more detailed review of the economic situation.

4 Public Works Loans Board (PWLB) Consultation

- 4.1 The Council has access to the Public Works Loan Board (PWLB) for debt, which is an executive agency of HM Treasury. Acting as a lender to the local authority sector, it provides debt at interest costs closely linked to the equivalent debt costs of Government, known as Gilts.
- 4.2 As noted in outturn report for 2019/20, the PWLB changed its policy to increase the margin from Gilts plus 100 basis points to Gilts plus 200 basis points in October 2019, and therefore the margin on the Certainty Rate, which local authorities can apply for, to Gilts plus 180 basis points.
- 4.3 Following the government's consultation in 2020/21 with Local Authorities to develop a targeted intervention to prevent 'debt-for-yield' activity funded from the PWLB, while protecting the crucial work the local authorities perform on service delivery, housing, and regeneration, the rates have reversed back to Gilts plus 100 basis points on the 26th November 2020.
- 4.4 Additional requirements to borrow from PWLB at the Certainty Rate, which is 0.20% lower than the published rate, were introduced. Each local authority that wishes to borrow from the PWLB is required 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, and could lead to access to the PWLB being limited to refinancing existing debt only.

Local Authorities are 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.
- 4.5 The Council submitted this information in May 2021, and therefore has retained access to the PWLB Certainty Rate.

5 Treasury Management Borrowing in 2020/21

- 5.1 PWLB interest rates during the year are illustrated in the table below and the graph at Appendix A.

Published PWLB Borrowing Rates 2020/21 for 1 to 50 years					
	1 Year	5 Year	10 Year	25 Year	50 Year
Low	0.85%	0.92%	1.20%	1.73%	1.52%
Date	04/01/2021	14/12/2020	11/12/2020	11/12/2020	11/12/2020
High	2.14%	2.19%	2.48%	3.06%	2.91%
Date	08/04/2020	08/04/2020	11/11/2020	11/11/2020	11/11/2020
Average	1.63%	1.70%	2.01%	2.53%	2.34%

- 5.2 As noted above, the Council is on the approved list of authorities that can access the PWLB Certainty Rate going forward, giving the Council access to a 20 basis points reduction on the published PWLB rates.
- 5.3 No new PWLB borrowing was taken in the financial year 2020/21. The outcome of the PWLB consultation and the subsequent reduction in the margin on rates means that the Council has refinanced the majority of the outstanding temporary borrowing with the PWLB during early 2021/22.
- 5.4 For any additional borrowing required further market assessments will be undertaken and the risks and benefits of any approach will be reviewed before any decision is made.

Temporary Borrowing

- 5.5 As noted in the Interim Report 2020/21, the Council has focused on temporary borrowing until the PWLB Consultation concluded. This meant the interest rates on the debt were relatively low and provided both liquidity and refinancing opportunities given PWLB rates were expected to fall.
- 5.6 A total of £367.3m of temporary borrowing was taken with a total of £220.9m maturing in 2020/21 as outlined in paragraph 2.6.

Salix Borrowing

- 5.7 Salix Finance Ltd provides interest-free Government funding to the public sector to improve their energy efficiency, reduce carbon emissions and lower energy bills. The supported scheme in relation to LED lighting Council projects will be repaid by 1st April 2023.

- 5.8 During the year, the Council made scheduled repayments of £3.3m, bringing the total value of Salix debt to £15.0m on 31st March 2021.
- 5.9 The borrowing strategy will remain under constant review to support achieving value for money for the Council whilst balancing the treasury risks that any approach will create.

6 Compliance with Prudential Indicators and Treasury Limits

- 6.1 As noted in the interim report 2020/21, the prudential indicators had to be revised to reflect the additional capital expenditure incurred due to the financial support to Manchester Airport Group, which was not part of the budget in February 2020 on which the prudential indicators were based. The Council operated within the updated prudential indicators, and performance against these is shown in Appendix B.
- 6.2 The Council also sets an operational limit on the cleared balance that is left within the Council's current accounts. The limit is set by the Council and is aimed at minimising the cash held in these accounts which attracts no interest and thereby maximises the investment return for the authority. The limit is set at £400k and this was met during the financial year 2020/21 except for the breaches described below, which should be considered in the context of a very challenging year. With regards to the Business Rates Support Grants, c. £188m were paid, and the breaches reflect the scale of the activity undertaken.
- 6.3 Where the limit is breached it means that the Council either incurred interest costs due to being in an overdraft position or lost potential investment income due to excess cash not being invested. It is important to note that any such breach will be rectified the following working day, and therefore the financial impact is minimised.
- 6.4 During the period 1st April 2020 to 31st March 2021 there were thirty breaches of the daily £0-400k limit on the Barclays current account, which can be broken down into two categories:
- i. COVID-19 related: on twenty-two occasions, Treasury Management purposely kept the current account in surplus to enable the Shared Service Centre to process COVID-19 Business Support Grants throughout the evening and following early morning. This arrangement ensured the payments were processed in time mitigating the risk of support payments not being made due to the lack of funds.
 - ii. Unexpected receipts after working hours: on eight occasion, the limit was breached due to various late afternoon receipts which the Treasury Management team had not been made aware of. Where possible, officers are asked to inform the team of any expected receipts or payments over £50k in order to efficiently manage cash.
- 6.5 Each breach was notified to the Deputy Chief Executive and City Treasurer and action taken on the following working day to bring balances back within

approved limits. No additional costs arose as a result, other than the opportunity cost incurred of not investing the surplus cash, which in the current interest market is minimal.

7 Investment Strategy for 2020/21

- 7.1 The Treasury Management Strategy Statement (TMSS) for 2020/21 was approved by Executive on 12th February 2020. The Council's Annual Investment Strategy, which is incorporated in the TMSS, outlines the Council's investment priorities as:
(a) the security of capital, and (b) the liquidity of investments.
- 7.2 The Council continues to operate a total of five Money Market Funds (MMFs) with an upper limit of £15.0m per fund. The Council also holds ongoing contingency call accounts with two major banks to help maintain liquidity.
- 7.3 The current strategy means that a significant proportion of the Council's investments are with the chosen five MMFs, the Debt Management Office (DMO), and other Local Authorities. This highlights the relatively low rate of credit risk that the Council takes when investing.
- 7.4 It should be noted that, whilst seeking to broaden the investment base, officers will continue to seek high quality investments to limit the level of risk taken by the Council. It is not expected that the measures considered above will have a significant impact on the rates of return the Council currently achieves.
- 7.5 During the financial year the Council's temporary cash balances have been managed by the Deputy Chief Executive and City Treasurer in-house and invested with those institutions listed in the Council's Approved Lending List. Officers can confirm these institutions meet the security criteria set out in the Annual Investment Strategy.

8 Temporary Borrowing and Investment Outturn 2020/21

- 8.1 As noted above, this financial year has been unparalleled. Cash flows and markets were unpredictable, so the Council shifted to a treasury management strategy more focussed on liquidity by securing temporary borrowing which ensured cash was available to support both COVID-19 related activity and the underlying budgeted activity.
- 8.2 Investment rates available in the market continued to be at historical low point. The average level of funds available for investment purposes in 2020/21 was just over £106.9m. These funds were available on a temporary basis and the level of funds available was mainly dependent on the timing of precept payments, the receipt of grants, progress on the capital programme, and working capital.
- 8.3 While the ongoing PWLB Consultation was taking place, short term temporary borrowing was taken in order to support the cash flow, as anticipated in the

TMSS for 2020/21, resulting with the average level of temporary borrowing £188.4m.

- 8.4 Detailed in the next table is the temporary investment and borrowing undertaken by the Council, which is benchmarked against the LIBID and LIBOR respectively. As illustrated, the Council over performed the benchmark by 27 basis points on investments due to the effective search for better inter Local Authority market rates.
- 8.5 The temporary borrowing portfolio consisted of loans with various investment tenors ranging from call terms to fixed 2-year maturities. The average cost was higher by 45 basis points when compared to the average 12-month benchmark rate, which is mainly due to the timing of when the temporary borrowings was secured as well as the various structures. In the first three months of the financial year when majority of the debt was taken, the average 12-month benchmark rate averaged at c. 0.68%, after which it has significantly dropped throughout the remainder of the year pushing the overall average to 0.29%.

	Average temporary Investment/borrowing	Net Return/Cost	Benchmark Return / Cost *
Temporary Investments	£106.9m	0.20%	-0.07%
Temporary Borrowing	£188.4m	0.74%	0.29%

**Average 7-day LIBID / 12-month LIBOR rate*

- 8.6 None of the institutions in which investments were made, such as banks, local authorities and MMFs, showed any difficulty in repaying investments and interest during the year. The list of institutions in which the Council invests is kept under continuous review.

9 COVID-19 Pandemic and Negative Rates

- 9.1 The COVID-19 pandemic has created a challenging market environment in which the Council must conduct its treasury management activities. The future of the markets remains uncertain resulting in mounting pressures on income and therefore the overall cash flow liquidity.
- 9.2 Although the Bank of England has been clear it did not intend to set a negative bank rate at this stage, in February 2021, the Bank of England has asked firms to be ready for the implementation of negative interest rates as it remains a viable option of its Monetary Policy Toolkit. Officers are continuing to assess the impact negative rates could have on the Council's debt and investment strategies.
- 9.3 The Debt Management Office (DMO) began offering investments at a negative interest rate on the 25th of September 2020 with low fluctuating levels remaining in place until the 31st of March 2021. This meant that if the

Council were to place cash with the DMO, there would be a cost for making that investment. Officers continued to view this as an option of last resort if a positive return is achievable elsewhere.

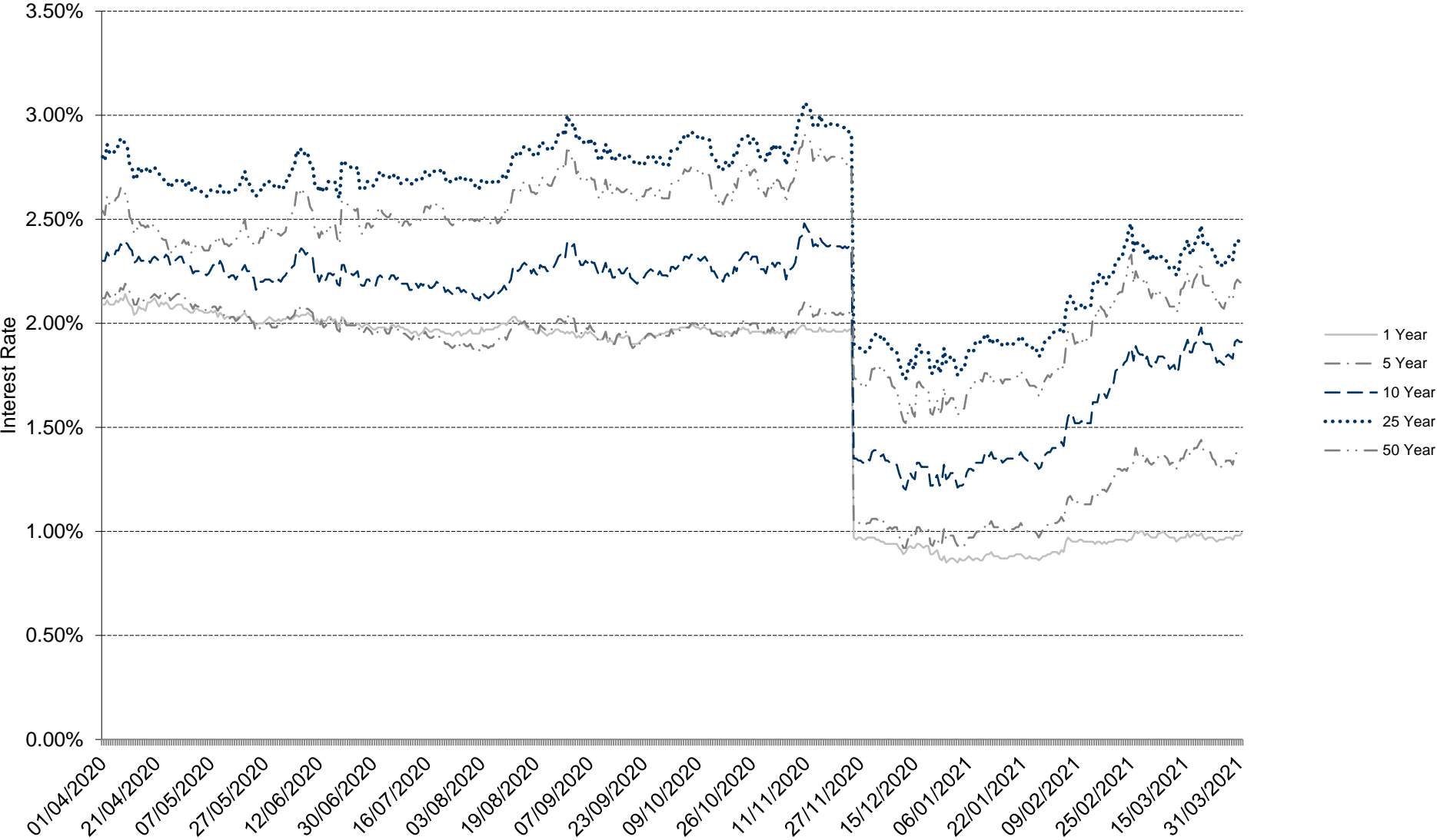
- 9.4 No investments at a negative rate were undertaken in 2020/21. There is however a risk the market will enter an environment where the conditions do not allow for a positive return in the short term. If this were to happen, the investment strategy would shift focus onto minimising costs while ensuring security of cash and reasonable liquidity.

10 Interest on mortgages

- 10.1 For the purposes of charging interest on mortgages that the Council has provided, the Local Average Rate is 3.93%, being the weighted average rate on the Council's long term debt.

11 Conclusion

- 11.1 The financial year 2020/21 has demonstrated exceptional market conditions putting significant pressure on the Council's cash liquidity. While the PWLB consultation was ongoing, short term temporary borrowing was acquired ensuring a stable cash flow. Overall, cash balances remained low throughout the year.
- 11.2 The current borrowing position reflects the strong balance sheet of the Council. It enables net interest costs to be minimised and reduces credit risk by making temporary use of internal borrowing (reserves, provisions, positive cash flows, etc). The Council's policy remains to keep cash as low as possible and not to borrow in advance of need for capital purposes.
- 11.3 In the second half the year, the PWLB consultation was concluded, additional requirements were introduced, and the rates were reversed by 100bps as outlined in Section 4 of this report.
- 11.4 Proactive treasury management during the year has enabled the Council to achieve an average net return on investments of 0.20%, in excess of the benchmark average 7-day LIBID rate of -0.07% and also higher than the rate offered by the DMO, which is the default option if there are no other investment opportunities based on the credit criteria set.
- 11.5 Future years are likely to bring continuing instability arising from the longer term implications of COVID-19, further implications as a result of the end of UK's transition period after Brexit, and the possibility that market rates go negative, all of which could have a detrimental impact on costs and income and overall cash flow stability. Officers will continue monitoring the market, and engage with market participants including banks, investment firms, brokers and advisors to review the debt opportunities available to the Council.



Appendix B

Treasury Management Prudential Indicators: 2020/21

	Original (from 2020/21 TMSS) £m	Minimum In Year to 31st Mar 2021 £m	Maximum In Year to 31st Mar 2021 £m
Operational Boundary for External Debt:			
Borrowing	1,006.2	680.8	793.6
Other Long Term Liabilities	216.0	153.8	153.8
Authorised Limit for External Debt:			
Borrowing	1,384.5	680.8	793.6
Other Long Term Liabilities	216.0	153.8	153.8
	Actual as at 31st Mar 2021		
The Council has adopted CIPFA's Code of Practice for Treasury Management in the Public Services	Yes	Yes	
Upper Limit for Principal Sums Invested for over 364 days	£0	£0	

	Lower Limit	Upper Limit	
Maturity structure of Fixed Rate Borrowing	2020/21 Original	2020/21 Original	Actual as at 31st Mar 2021
under 12 months	0%	80%	41%
12 months and within 24 months	0%	70%	18%
24 months and within 5 years	0%	60%	9%
5 years and within 10 years	0%	50%	1%
10 years and above	20%	80%	31%

Appendix C

REVIEW OF ECONOMIC CONDITIONS FOR 2020/21 AND FUTURE OUTLOOK

This section has been prepared by the Council's Treasury Advisors, Link Asset Services, for the 31st of March Closedown and includes their forecast for future interest rates after the PWLB policy change referenced in the report.

1. Economics update

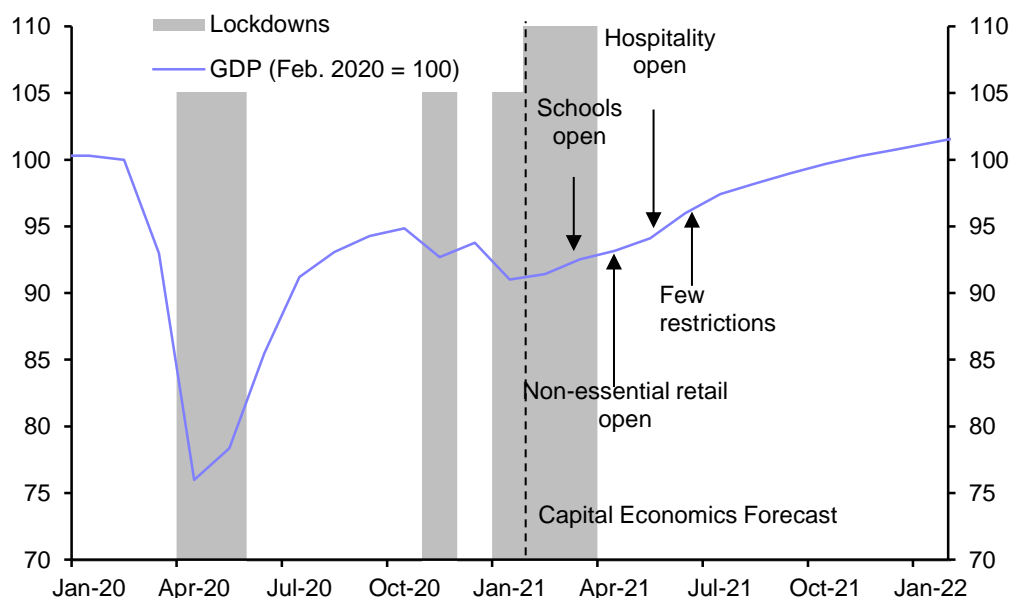
UK. The key quarterly Monetary Policy Report meeting of the Bank of England's Monetary Policy Committee kept **Bank Rate** and quantitative easing (QE) unchanged on 4th February, (as it also did at its 18th March meeting). However, it revised its economic forecasts to take account of a third national lockdown which started on 5th January, which is going to further delay economic recovery and do further damage to the economy. Although its short-term forecasts were cut for 2021 due to the start of a third lockdown in early January, the medium-term forecasts were more optimistic than in November, based on an assumption that the current lockdown will be gradually eased after Q1 as vaccines are gradually rolled out and life can then start to go back to some sort of normality. The Bank's main assumptions were:

- The economy would start to recover strongly from Q3 2021 although it acknowledged there were downside risks from virus mutations etc.
- £125bn of savings made by consumers during the pandemic will give a big boost to the pace of economic recovery once lockdown restrictions are eased and consumers can resume high street shopping, going to pubs and restaurants and taking holidays.
- The economy would still recover to reach its pre-pandemic level by Q1 2022 despite a long lockdown in Q1 2021. **Spare capacity** in the economy would be eliminated in Q1 2022 and there would be **excess demand** in the economy by Q4 2022.
- **CPI inflation** was forecast to rise quite sharply towards the 2% target in the first half of 2021 due to some temporary factors, (e.g. the reduction in VAT for certain services comes to an end) and given developments in energy prices. CPI inflation was projected to be close to 2% in 2022 and 2023.
- The MPC reiterated its previous guidance that Bank Rate would not rise until inflation was sustainably above 2%. This means that it will tolerate inflation running above 2% from time to time to balance out periods during which inflation is below 2%. This is termed **average inflation targeting**. While financial markets are pricing in Bank Rate starting to rise by the end of 2022, this policy could mean that Bank Rate does not rise until as late as 2026.
- The Bank of England removed **negative interest rates** as a possibility for at least six months as financial institutions were not ready to implement them. As in six months' time the economy should be starting to grow strongly, this effectively means that negative rates occurring were unlikely during the

current downturn. (**Gilt yields and PWLB rates** jumped upwards after the removal of negative rates as a key risk in the short-term.)

There are two views in respect of Bank Rate beyond our three-year time horizon:

- a. The MPC will be keen to raise Bank Rate as soon as possible in order for it to be a usable tool when the next economic downturn comes along. This is in line with thinking on Bank Rate over the last 20 years; financial markets are currently pricing in Bank Rate starting to rise by the end of 2022.
- b. Conversely, that we need to adjust to the new post-pandemic era that we are now in. In this new era, **the shift to average inflation targeting** has set a high bar for raising Bank Rate i.e. only when inflation has demonstrated that it has risen sustainably above 2%. In addition, many governments around the world have been saddled with high levels of debt. When central bank rates are low, and below the average GDP growth rate, the debt to GDP ratio will gradually fall each year without having to use fiscal tools such as raising taxes or austerity programmes, (which would depress economic growth and recovery). This could therefore result in governments revising the setting of mandates to their national central banks to allow a higher rate of inflation linked to other economic targets. This is the Capital Economics view – that Bank Rate will not rise for the next five years and could then struggle to get to 1% within 10 years.



- **COVID-19 vaccines.** These have been the game changer which have enormously boosted confidence that **life in the UK could largely return to normal during the second half of 2021** after a third wave of the virus threatened to overwhelm hospitals around the start of the year. With the household saving rate having been exceptionally high since the first lockdown in March 2020, there is plenty of pent-up demand and purchasing power stored up for services in the still-depressed sectors like restaurants, travel and

hotels. The UK has made fast progress with giving a first jab to half of all adults and this programme should be completed in the second half of the year. The big question is whether mutations of the virus could develop which render current vaccines ineffective, as opposed to how quickly can vaccines be modified to deal with them and enhanced testing programmes be implemented to contain their spread.

- **The Budget on 3rd March** increased fiscal support to the economy and employment during 2021 and 2022 followed by substantial tax rises in the following three years to help to pay the cost for the pandemic. This will help further to strengthen the economic recovery from the pandemic and to return the government's finances to a balanced budget on a current expenditure and income basis in 2025/26. This will stop the Debt to GDP ratio rising further from 100%. An area of concern, though, is that the government's debt is now twice as sensitive to interest rate rises as before the pandemic due to QE operations substituting fixed long-term debt for floating rate debt; there is, therefore, much incentive for the Government to promote Bank Rate staying low e.g. by using fiscal policy in conjunction with the monetary policy action by the Bank of England to keep inflation from rising too high, and / or by amending the Bank's policy mandate to allow for a higher target for inflation.
- **Brexit.** The final agreement on 24th December 2020 eliminated a significant downside risk for the UK economy. The initial agreement only covered 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. There was much disruption to trade in January as form filling has proved to be a formidable barrier to trade. This appears to have eased somewhat since then but is an area that needs further work to ease difficulties, which are still acute in some areas.
- **US.** The Democrats won the presidential election in November 2020 and have control of both Congress and the Senate, although power is more limited in the latter. This enabled the Democrats to pass a \$1.9trn (8.8% of GDP) stimulus package in March on top of the \$900bn fiscal stimulus deal passed by Congress in late December. These, together with the vaccine rollout proceeding swiftly to hit the target of giving a first jab to over half of the population within the President's first 100 days, will promote a rapid easing of restrictions and strong economic recovery during 2021. The Democrats are also planning to pass a \$2trn fiscal stimulus package aimed at renewing infrastructure over the next decade. Although this package is longer-term, if passed, it would also help economic recovery in the near-term.
- 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. There is now some expectation that where the Fed has led in changing its policy towards implementing its inflation and full employment mandate, other major central banks will follow, as indeed the Bank of England has done so already. The Fed expects strong economic growth this year to have only a transitory impact on inflation, which explains why the majority of Fed officials project US interest rates to remain near-zero through to the end of 2023. 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 at historically low levels – **which will also have an influence on gilt yields in this country.**

- **EU.** Both the roll out and take up of vaccines has been disappointingly slow in the EU, at a time when many countries are experiencing a sharp rise in cases which are threatening to overwhelm hospitals in some major countries; this has led to renewed severe restrictions or lockdowns during March. This will inevitably put back economic recovery after the economy had staged a rapid rebound from the first lockdowns in Q3 but contracted slightly in Q4 to end 2020 only 4.9% below its pre-pandemic level. Recovery will now be delayed until Q3 of 2021 and a return to pre-pandemic levels is expected in the second half of 2022.
- Inflation is likely to rise sharply to around 2% during 2021 for a short period, but as this will be transitory due to one-off factors, it will cause **the ECB** little concern. 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 2020 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 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. The March ECB meeting also took action to suppress the rise in long bond yields by stepping up its monthly PEPP purchases.
- **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. After making a rapid recovery in 20/21, growth is likely to be tepid in 21/22.
- **Japan.** A third round of fiscal stimulus in early December took total fresh fiscal spending in 2020 in response to the virus close to 12% of pre-virus GDP. That

is huge by past standards, and one of the largest national fiscal responses. The budget deficit is now likely to reach 16% of GDP in 2020/21. Coupled with Japan's relative success in containing the virus without draconian measures so far, and the roll out of vaccines gathering momentum, the government's latest fiscal effort should help to 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 was in recession in 2020. Inflation is unlikely to be a problem in most countries for some years due to the creation of excess production capacity and depressed demand caused by the coronavirus crisis.
- **Impact on gilt yields and PWLB rates in 2021.** Since the start of 2021 gilt yields and PWLB rates have risen sharply. What has unsettled financial markets has been a \$1.9trn (equivalent to 8.8% of GDP) fiscal boost for the US economy as a recovery package from the Covid pandemic, in addition to the \$900bn support package passed in December. Financial markets have been alarmed that the two packages could cause an excess of demand in the economy which could **unleash inflationary pressures** and force the FOMC to take much earlier action to start increasing the Fed rate from near zero, despite their stated policy being to target average inflation and saying that increases were unlikely in the next few years.
- A further concern in financial markets is **when will the Fed end quantitative easing (QE) purchases of treasuries** and how they will gradually wind it down. These ongoing monthly purchases are currently acting as downward pressure on treasury yields. Nonetheless, during late February and in March, yields rose sharply. As the US financial markets are, by far, the biggest financial markets in the world, any trend upwards there will invariably impact and influence financial markets in other countries. It is noticeable that gilt yields moved higher after the MPC meeting in early February as a result of both developments in the US, and financial markets also expecting a **similarly rapid recovery of the UK economy as in the US**; both countries were expected to make similarly rapid progress with vaccinating their citizens and easing Covid restrictions. They are therefore, expecting inflation to also increase more quickly in the UK and cause the MPC to respond by raising Bank Rate more quickly than had previously been expected.
- **Deglobalisation.** 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 30 years, which now accounts for nearly 20% of total world GDP, has unbalanced the world economy. In March 2021, western democracies implemented limited sanctions against a few officials in charge of government policy on the Uighurs in Xinjiang; this led to a much bigger retaliation by China and is likely to mean that the China / EU investment deal then being negotiated, will be torn up. After the pandemic exposed how frail extended supply lines were around the world, both factors are now likely to lead to a sharp retrenchment of economies into two blocs of western democracies v. autocracies. 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 and vice versa. This is likely to reduce world growth rates.

- **Central banks' monetary policy.** During the pandemic, the governments of western countries have provided massive fiscal support to their economies which has resulted in a big increase in total government debt in each country. It is therefore very important that bond yields stay low while debt to GDP ratios slowly subside under the impact of economic growth. This provides governments with a good reason to amend the mandates given to central banks to allow higher average levels of inflation than we have generally seen over the last couple of decades. Both the Fed and Bank of England have already changed their policy towards implementing their existing mandates on inflation, (and full employment), to hitting an average level of inflation. Greater emphasis could also be placed on hitting subsidiary targets e.g. full employment before raising rates. Higher average rates of inflation would also help to erode the real value of government debt more quickly.

2. Interest rate forecasts

The Council has appointed Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1st November 2012.

Link Group Interest Rate 8.3.21												
	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
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
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
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
5 yr PWLB	1.20	1.20	1.20	1.20	1.20	1.20	1.30	1.30	1.40	1.40	1.40	1.40
10 yr PWLB	1.60	1.60	1.60	1.70	1.70	1.70	1.80	1.80	1.90	1.90	1.90	1.90
25 yr PWLB	2.10	2.10	2.20	2.30	2.30	2.30	2.40	2.40	2.50	2.50	2.50	2.50
50 yr PWLB	1.90	1.90	2.00	2.10	2.10	2.10	2.20	2.20	2.30	2.30	2.30	2.30

Additional notes by Link on this forecast table: -

- *LIBOR and LIBID rates will cease from the end of 2021. Work is currently progressing to replace LIBOR with a rate based on SONIA (Sterling Overnight Index Average). In the meantime, our forecasts are based on expected average earnings by local authorities for 3 to 12 months.*
- *Our forecasts for average earnings are averages i.e., rates offered by individual banks may differ significantly from these averages, reflecting their different needs for borrowing short term cash at any one point in time.*
- *We will maintain continuity by providing clients with LIBID investment benchmark rates on the current basis.*

The coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to first 0.25%, and then to 0.10%, it left Bank Rate unchanged at its subsequent meetings, although some forecasters had suggested that a cut into negative territory could happen. However, the minutes of the Monetary Policy Committee in February 2021 made it clear that commercial banks could not implement negative rates within six months, and by that time the economy would be expected to be recovering strongly and so there would be no requirement for negative rates. As shown in the forecast table above, no increase in Bank Rate is expected within the forecast horizon ending on 31st March 2024.

GILT YIELDS / PWLB RATES. There was much speculation during the second half of 2019 that bond markets were in a bubble which was driving bond prices up and yields down to historically very low levels. The context for that was heightened expectations that the US could have been heading for a recession in 2020. In addition, there were growing expectations of a downturn in world economic growth, especially due to fears around the impact of the trade war between the US and China, together with inflation generally at low levels in most countries and expected to remain subdued. Combined, these conditions were conducive to very low bond yields. While inflation targeting by the major central banks has been successful over the last 30 years in lowering inflation expectations, the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers. This means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. The consequence of this has been **the gradual lowering of the overall level of interest rates and bond yields in financial markets.** Over the year prior to the coronavirus crisis, this resulted in many bond yields up to 10 years turning negative in the Eurozone. In addition, there was, at times, an inversion of bond yields in the US whereby 10 year yields fell below shorter-term yields. In the past, this has been a precursor of a recession.

Gilt yields had, therefore, already been on a generally falling trend up until the coronavirus crisis hit western economies during March 2020. After gilt yields initially spiked upwards in March, yields fell sharply in response to major western central banks taking rapid policy action to deal with excessive stress in financial markets during March, and starting massive quantitative easing driven purchases of government bonds: these actions also acted to put downward pressure on government bond yields at a time when there was a huge and quick expansion of government expenditure financed by issuing government bonds. Such unprecedented levels of issuance in “normal” times would have caused bond yields to rise sharply.

As at 31st December 2020, all gilt yields from 1 to 8 years were still in negative territory: however, since then all gilt yields have now become positive and have risen sharply, especially medium and longer-term yields.

- HM Treasury imposed **two changes of margins over gilt yields for PWLB rates in 2019/20** without any prior warning. The first took place on 9th October 2019, adding an additional 1% margin over gilts to all PWLB period rates. That increase was then, at least partially, reversed for some forms of borrowing on 11th

March 2020, but not for mainstream non-HRA capital schemes. A consultation was then held with local authorities and **on 25th November 2020, the Chancellor announced the conclusion to the review of margins over gilt yields for PWLB rates**; the standard and certainty margins were reduced by 1% but a prohibition was introduced to deny access to borrowing from the PWLB for any local authority which had purchase of assets for yield in its three year capital programme. The new margins over gilt yields are as follows: -.

- **PWLB Standard Rate** is gilt plus 100 basis points (G+100bps)
- **PWLB Certainty Rate** is gilt plus 80 basis points (G+80bps)
- **PWLB HRA Standard Rate** is gilt plus 100 basis points (G+100bps)
- **PWLB HRA Certainty Rate** is gilt plus 80bps (G+80bps)
- **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)

As the interest forecast table for PWLB certainty rates, (gilts plus 80bps), above shows, there is likely to be little upward movement in PWLB rates over the next three years as the Bank of England is not expected to raise Bank Rate during that period as inflation is not expected to be sustainably over 2%.

APPENDIX D

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.

Constant Net Asset Value (CNAV) – refers to Funds which use amortised cost accounting to value all of their assets. The aim is to maintain a Net Asset Value (NAV), or value of a share of the Fund at £1.

Counterparty – one of the opposing parties involved in a borrowing or investment transaction

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.

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.

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 the Council's minimum credit rating criteria.

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.

Project Name	2021/22 Current Revised Budget	Current Forecast	Year to Date spend	2021/22 Revised Budget
Drainage	1,343	1,343	-27	0
Large Patching repairs	124	124	0	0
Patching Defect repairs	7,455	7,455	877	883
Carriageway Resurfacing	5,704	5,122	200	1,250
Footway schemes	4,000	4,000	79	200
Carriageway Preventative	2,708	2,708	831	250
Bridge Maintenance	772	772	15	2,933
Other Improvement works	7,183	7183	30	1,117
Woodlands Road Emergency works	1,000	1000	270	0
Highways Maintenance Challenge Fund	1,487	2,467	0	0
Hyde Road (A57) Pinch Point Widening	257	237	40	0
Manchester/Salford Inner Relief Road (MSIRR)	0	0	-17	0
Great Ancoats Improvement Scheme	1,004	1,004	-236	0
Mancunian Way and Princess Parkway National Productivity Investment Fund (NPIF)	829	674	1	0
Christie Extension Residents Parking Zones	265	93	1	0
Hathersage Residents Parking Zones	17	17	2	0
North Mcr General Hospital Residents Parking Zones	35	35	1	0
St George's Residents Parking Zones	138	138	9	0
Rusholme Residents Parking Zones	233	227	6	0
School Crossings	1,877	946	113	500
Chorlton Cycling Scheme	7,014	6,536	931	3,082
Northern Quarter Cycling Scheme	5,054	5196	283	4,484
Manchester Cycleway	801	801	55	0
Beswick Filtered Neighbourhood Development Costs	989	750	181	0
Green Bridge at Airport City	27	27	-71	0
A6 Stockport Road Pinch Point Scheme	91	91	189	0
Levenshulme Mini Holland Cycling and Walking scheme	501	468	10	0
Northern/Eastern GW Walking and Cycling scheme	2,120	2120	65	0
Rochdale Canal	9	9	24	0
Harpurhey and Moston- Junction and Crossings	1,170	1170	0	1
Accident Reduction and Local Community Safety schemes	1,500	1500	0	500
20mph Zones	10	5	-1	0
Princess Rd Safety Review	35	35	0	0
Public Realm	408	408	-46	681
Street Lighting PFI	24	24	12	750
A56 Liverpool Road	19	19	1	0
A56 Chester Road	13	13	0	0
Sunbank Lane	5	5	0	0
Woodhouse Park	0	0	15	0
Manchester Trash Screens	36	36	0	0
Oldham Rd Feasibility study	186	186	0	0
Enterprise Car Club Bays	22	22	0	0
Off Street Car Parks post joint venture project	621	621	5	0
Electric Vehicle Charging Points	21	21	2	0
TfGM Bus Enhancements	419	419	182	0

Bee Network Crossings	26	26	17	0
Emergency Active Travel Development Costs	5,501	1780	95	0
Princess Parkway/Palatine Road Feasibility	35	35	0	0
Total Highways Programme	63,088	57,868	4,148	16,631
Waste Reduction Measures	325	325	21	0
Waste Contract	450	450	0	350
Purchase of Electric Refuse Collection Vehicles	9,185	9,185	2,456	0
Cremator and Mercury Abatement Plant Replacement Strategy	1,466	1,466	16	0
Chester Road Roundabout Advertising	1,650	1,650	0	0
Electric Charging Points - Grimshaw Lane	70	70	7	0
New Islington Marina Bridge Works	156	156	0	0
Park Events Infrastructure	4	0	0	0
Parks Development Programme	2,541	2,161	37	3,574
Wythenshawe Cycling Hub	1,099	1,099	0	0
Angel Meadow	16	16	-43	0
Gately Brook Pre-Development Fees	80	80	0	0
Whitworth Park	132	132	8	0
Wythenshawe Track Changing Rooms	380	380	0	0
Indoor Leisure - Abraham Moss	8,808	8,808	654	13,418
Boggart Hole Clough - Visitors Centre	0	0	0	535
Mount Road	32	32	0	0
Mellands Playing Fields - Levenshulme	135	135	0	0
Gorton and Abbey hey Project	188	188	2	0
Hough End Master Plan - Strategic Football Hub Development Costs	188	188	109	0
Range Stadium Capital Project	8	0	0	0
Manchester Aquatics Centre - Car Park Improvements	31	31	-3	0
Non-Turf Wickets - Parks and Playing Fields	91	91	0	0
Manchester Aquatics Centre	7,531	7,531	0	14,184
Rugby Football League Project - Beswick Hub	423	423	0	0
National Squash Centre	135	135	0	0
Wind Tunnel at Manchester Institute of Health and Performance	923	923	0	0
Relocation of Manchester Visitor Info Centre	0	0	-6	0
Central Library Wolfson Award	2	2	0	0
Central Library Refresh	478	478	0	479
Open Libraries	94	94	0	105
Chorlton Library Refurbishment	0	60	0	600
Library Refurbishment (City Wide)	350	350	0	150
Galleries Collection Housing	40	40	0	404
Total Neighbourhoods Programme	37,011	36,679	3,258	33,799
The Factory	54,691	51,038	5,681	31,400
St Johns Public Realm	1,780	2,250	-15	1,178
Total Factory Programme	56,471	53,288	5,666	32,578
Asset Management Programme	10,287	10,287	482	3,782

Manchester Aquatics Centre feasibility works	133	133	0	0
Early Years tendered Daycare sites	1,000	1000	0	2,000
Hammerstone Road Depot	11,411	11411	244	11,784
Carbon Reduction Programme	2,960	2960	169	8,704
Public Sector Decarbonisation Scheme	19,747	19,747	0	0
Greening of the City	848	500	63	0
Estates Transformation	0	0	0	800
Estates Transformation - Alexandra House	317	317	-332	0
Space - Phase 3	615	615	128	0
The Sharp Project	600	600	0	0
Digital Asset Base - One Central Park	564	564	5	0
Strategic Acquisitions Programme	2,831	2,831	265	0
Sustaining Key Initiatives	0	0	0	7,723
Mayfield Park	150	150	0	0
Housing Infrastructure Fund	12,500	12,500	21	19,980
Acquisition of land at Red Bank	191	191	0	0
Victoria North	6,700	6,700	3,000	7,275
Eastern Gateway - Central Retail Park	584	584	0	0
Eastern Gateway - New Islington Marina	52	52	0	0
House of Sport	5,537	5,537	83	2,154
Demolition of Grey Mare Police Station	178	178	-50	0
St. Peters Square - Peterloo Memorial	192	192	0	0
Medieval Quarter Public Realm	2,235	2,235	831	7
Lincoln Square	1,200	1200	0	0
Piccadilly Gardens - Early works	1,676	300	0	0
Manchester Digital Security Innovation hub (Cyberhub)	2,000	2000	0	0
Campfield Redevelopment - Acquisition of Castlefield House	3,735	3735	0	0
HOME Arches	215	215	31	0
First Street Cultural Facility	14	14	0	0
New Smithfield Market	417	417	-24	0
Heron House and Registrars	1,120	1,120	-13	0
Civic Quarter Heat Network	4,679	4,679	116	1,377
Lees Street Payment	75	75	0	0
Total Growth & Development Programme	94,763	93,039	5,021	65,586
Our Town Hall refurbishment	70,906	67,712	7,723	76,789
Total Town Hall Refurbishment Programme	70,906	67,712	7,723	76,789
Brunswick PFI Land Assembly	522	522	5	777
Collyhurst Regeneration	178	178	0	0
Collyhurst Land Assembly	0	0	0	29
Collyhurst Land Acquisitions	0	0	0	210
Eccleshall Street - 3 Sites	0	0	0	500
Site Investigation and Early Works HIF Pilot Sites	0	0	0	65
Miles Platting PFI Land Assembly	143	143	1	266
Disabled Facilities Grant	7,500	7,500	744	1,790
Toxteth St CPO & environmental works	10	0	0	19
Bell Crescent CPO	0	0	0	0

HCA Empty Homes Cluster	265	265	-9	683
Ancoats Dispensary: Survey Work to Confirm Major Project Viability	57	57	57	0
Redrow Development Phase 2 onward	18	18	2	0
West Gorton Ph 2A Demolition & Commercial Acquisitions	348	348	0	904
HMRP	34	34	1	89
Extra Care	0	0	0	1,245
Moston Lane Acquisitions	0	0	0	0
Equity Loans	0	0	0	397
West Gorton Community Park	25	25	1	25
Ben Street Regeneration	415	415	0	626
Marginal Viability Fund - New Victoria	2,032	1,963	1,013	2,446
Next Steps Accommodation Programme Property Acquisitions	900	900	349	1,491
Green Homes Grant Delivery scheme	3	3	0	0
This City Housing Delivery Vehicle	400	400	0	0
Social Housing Decarbonisation Fund	3,045	3045	0	75
Total Private Sector Housing Programme	15,895	15,816	2,163	11,637
Charlestown - Victoria Ave multistorey window replacement	6,535	6,535	889	2,881
Harpurhey Shiredale Estate externals	0	0	0	27
External cyclical works Ancoats Smithfields estate	90	90	0	0
Environmental improvements Moston corrolites	0	0	0	0
Electricity North West distribution network	70	200	198	113
Various Estate based environmental works	100	100	9	94
Moston Corrolites external work	1,004	804	0	216
Charlestown Clifford Lamb Court Reroofing	244	244	0	234
Higher Blackley Central House Door Entry System	31	31	0	5
Riverdale Maisonettes	486	486	0	2,227
Newton Heath High Rise Blocks Improvements	492	492	0	9,128
Retaining Walls	298	139	0	216
Delivery Costs	1,088	1054	19	492
Decent Homes mop ups and decent homes work required to voids	0	0	0	20
Kitchen and Bathrooms programme	0	0	2	0
Harpurhey - Monsall Multis Internal Works	0	104	0	104
Newton Heath - Multies Internal Works	377	377	98	12
Various - Bradford/Clifford Lamb/Kingsbridge/Sandyhill Court Internal Works	60	60	0	49
Charlestown - Rushcroft/Pevensey Court Internal Works	0	5	7	84
Collyhurst - Mossbrook/Roach/Vauxhall/Humphries Court Internal Works	54	54	-161	113
Decent Homes mop up and voids	0	0	0	377
One off work - rewires, boilers, doors	7	7	0	0
Fire precautions multi storey blocks	0	0	0	150
Installations of sprinkler systems - multi storey blocks	0	0	0	0
ERDF Heat Pumps	1,236	1,189	61	363
Charlestown - Rushcroft/Pevensey Courts Lift Refurb	240	240	0	198
One off type work (rewires/boilers/doors)	19	19	3	0
Fire Risk Assessments	2,968	2709	365	1,052
Northwards - Harpurhey 200 Estate Internal Works	0	0	1	184
Rushcroft and Pevensey Courts Ground Source Heat Pumps	1,850	1840	562	0

Harpurhey Baths Estate (excl Edward Grant Court) and Cheetham Appleford Estate	515	352	214	45
Newton Heath Troydale and Croyden Drive Low Rise Estates	1,093	1317	260	512
Responsive Investment Works	394	430	74	262
Retirement blocks various M&E/H&S works	791	791	203	160
One off type work such as rewires boilers doors	186	186	26	0
Harpurhey Monsall Estate (Excluding High Rise and 40 properties around Cannons Grove)	412	412	0	1,333
Harpurhey Shiredale Estate (Including Replacement Floors)	665	665	0	228
Cheetham Halliwell Lane Estate Internal Works	335	335	0	1,255
Higher Blackley South Estate Internal Works	344	344	0	1,147
New Lightbowne Estate Halliford and Thorverton	102	102	0	1,523
Ancoats Smithfield Estate Internal Works	274	274	0	68
One Off type work - rewires/boilers/doors	50	50	0	350
Delivery Costs	1,556	1,536	0	1,247
Various Locations - bringing bedsits back into use	0	0	0	116
Delivery Costs	0	0	0	15
Improvements to Homeless accommodation city wide	0	0	0	24
Plymouth Grove Women's Direct Access Centre	0	0	0	28
Improvements to Homeless Accommodation	289	236	75	71
Woodward Court reroofing	227	245	0	20
Woodward Court lift replacement	0	0	0	434
Delivery Costs	67	62	0	75
Adaptations	150	150	54	89
Various Locations - Adaptations	165	160	14	67
Various Adaptations	50	505	0	550
Delivery Costs	27	86	0	81
Collyhurst Maisonette Compensation & Dem	89	89	0	935
West Gorton Low and High Rise Demolition	0	1	1	0
Capital Receipts - Right to Buy	0	6	6	0
Buy Back Properties - Right to Buy	365	365	206	347
Willert Street Park Improvements	10	10	0	0
North Manchester New Builds	339	40	0	40
North Manchester New Builds Silk Street	3,434	3434	184	8,114
Parkhill Land Assembly	0	0	0	4,270
Collyhurst	2,000	2000	0	11,500
Total Public Sector Housing (HRA) Programme	31,178	30,962	3,370	53,245
Lytham Road	14	0	0	0
Crossacres Primary School	16	0	0	0
Brookside Road Moston	3,854	3,812	1,661	0
North Hulme Adv Playground	2,800	2,800	1,357	0
Roundwood Road	2,864	2,828	1,511	200
Coop North Expansion	488	488	0	0
Our Lady's Expansion	20	20	0	0
Manchester Communications Academy	51	51	37	0
Co-op Academy Belle Vue - Permanent	21,589	21,589	418	8,694
Co-op Academy Belle Vue - Early Opening	2,140	2,140	834	0
Lancasterian Rebuild & Expansion - Pre Development Costs	140	140	0	0
Our Lady's RC Permanent Expansion	1,900	1900	81	500

Melland High School Expansion (SEN Grant)	1,000	1000	0	2,900
Universal Infant Free School Meals- Allocated	2	2	0	0
Universal Infant Free School Meals- Unallocated	75	75	0	0
Abbott Primary School Fencing	0	0	-1	0
Broad Oak Primary School Kitchen	745	745	0	0
Lily Lane Prim Windows	96	96	0	0
Ringway Primary roof	0	0	-1	0
Abbot Community Primary Joinery repair	0	0	-16	0
Medlock Primary - Boundary Wall rebuild	80	80	0	0
Mauldeth Road Rewire	0	0	-88	0
St Wilfreds CE roof repairs	445	429	32	0
Manley Park Primary roof repairs	0	0	-30	0
Broad Oak Reception class and roof repair	262	262	0	0
Manley Park Roof	250	250	21	0
Manley Park Joinery	323	323	25	0
Rack House Roof	265	265	0	0
The Birches Special School Roof	384	384	0	0
Broad Oak Primary	414	414	0	0
Baguley Hall Electrical Rewire	792	792	0	0
Higher Openshaw Roof repair	124	124	0	0
Alma Park	75	75	0	0
Claremont Roofing works	156	156	0	0
Moston Lane Rainwater Goods	74	74	0	0
Schools Capital Maintenance -unallocated	1,265	1281	0	2,192
Moss Side Childrens Centre - EY maintenance works	0	15	15	0
Early Education for Two Year Olds - Unallocated	22	7	0	0
Healthy Pupil Capital Funding	257	257	0	0
North Ridge SEN	125	125	-73	0
Grange School	195	195	0	0
Piper Hill Expansion SEN Grant	87	87	0	0
Grange School Expansion SEN Grant	20	20	0	0
Special Educational Needs grant	0	0	0	2,324
Commercial Wharf/ISS Refurbishment of YJS Building	36	36	0	0
Ghyll Head	540	540	0	0
Acquisition of land at Hyde Road	27	27	0	0
Nurseries Capital Fund - Unity Community	139	139	66	0
Lyndene Children's Home Refurbishment	825	825	94	0
Total Children's Services Programme	44,976	44,868	5,943	16,810
Internet Resilience	4	4	0	0
Network Refresh Programme	2,952	2,952	44	6,094
Data Centre Network Design and Implementation	44	44	0	0
End User Experience	3,471	3,471	203	727
Microsoft 365	80	80	17	0
Telephony	332	332	24	0
TEC Digital Platform	94	94	0	0
Total ICT Programme	6,977	6,977	288	6,821

Pay and Display Machines	5	5	0	0
Phase 1 Implementation - Locality Plan Programme Office	340	340	16	0
Adults - Stepping Stone capital works	187	187	0	0
Integrated Working - Gorton Health Hub	14,674	10,637	32	5,350
BioMedical Investment	3,792	3,792	982	3,950
VCSE Small premises works	0	0	0	500
Total Corporate Capital Programme	18,998	14,961	1,030	9,800
Total Capital Programme (excl. Contingent Budgets)	440,263	422,170	38,609	323,696

Northwards Housing Programme - Unallocated	0	9	0	1,471
Basic need - unallocated funds	0	0	0	23,977
ICT Investment Plan	0	0	0	2,499
Airport Loan	36,248	36,248	0	0
Inflation	8,800	8,800	0	6,000

Total Contingency Budgets	45,048	45,057	0	33,947
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Total Capital Programme	485,311	467,227	38,609	357,643
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2022/23 Forecast	2022/23 Budget	2023/24 Forecast		2023/24 Budget	2024/25 Forecast	Total Variance to Budget (All Years)
0	0	0		0	0	0
0	0	0		0	0	0
883	0	0		0	0	0
832	0	0		0	0	-1,000
200	0	0		0	0	0
250	0	0		0	0	0
2,933	2,233	2,233		0	0	0
1,117	0	0		0	0	0
0	0	0		0	0	0
20	0	0		0	0	1,000
0	0	0		0	0	-20
0	0	0		0	0	0
0	0	0		0	0	0
155	0	0		0	0	0
172	0	0		0	0	0
0	0	0		0	0	0
0	0	0		0	0	0
0	0	0		0	0	0
0	0	0		0	0	-6
1,431	0	0		0	0	0
3,560	0	0		0	0	0
4,342	0	0		0	0	0
0	0	0		0	0	0
0	0	0		0	0	-239
0	0	0		0	0	0
0	0	0		0	0	0
33	0	0		0	0	0
0	0	0		0	0	0
0	0	0		0	0	0
1	0	0		0	0	0
500	0	0		0	0	0
0	0	0		0	0	-5
0	0	0		0	0	0
681	0	0		0	0	0
750	0	0		0	0	0
0	0	0		0	0	0
0	0	0		0	0	0
0	0	0		0	0	0
0	0	0		0	0	0
0	0	0		0	0	0
0	0	0		0	0	0
0	0	0		0	0	0
0	0	0		0	0	0
0	0	0		0	0	0
0	0	0		0	0	0
0	0	0		0	0	0
0	0	0		0	0	0

0	0	0		0	0	0
3,721	0	0		0	0	0
0	0	0		0	0	0
21,581	2,233	2,233		0	0	-270
0	0	0		0	0	0
350	0	0		0	0	0
0	0	0		0	0	0
0	0	0		0	0	0
0	0	0		0	0	0
0	0	0		0	0	0
0	0	0		0	0	0
0	0	0		0	0	0
0	0	0		0	0	-4
3,954	4,685	4,685		0	0	0
0	0	0		0	0	0
0	0	0		0	0	0
0	0	0		0	0	0
0	0	0		0	0	0
0	0	0		0	0	0
13,418	45	45		0	0	0
0	0	535		0	0	0
0	0	0		0	0	0
0	0	0		0	0	0
0	0	0		0	0	0
0	0	0		0	0	0
0	0	0		0	0	-8
0	0	0		0	0	0
0	0	0		0	0	0
14,184	8,740	8,740		0	0	0
0	0	0		0	0	0
0	0	0		0	0	0
0	0	0		0	0	0
0	0	0		0	0	0
0	0	0		0	0	0
479	0	0		0	0	0
105	0	0		0	0	0
540	0	0		0	0	0
150	0	0		0	0	0
404	1,426	1426		0	0	0
33,584	14,896	15,431		0	0	-12
35,053	0	0		0	0	0
708	0	0		0	0	0
35,761	0	0		0	0	0
3,782	0	0		0	0	0

0	0	0		0	0	0
2,000	0	0		0	0	0
11784	0	0		0	0	0
8704	5,000	5,000		5,000	5,000	0
0	0	0		0	0	0
348	0	0		0	0	0
800	0	0		0	0	0
0	0	0		0	0	0
0	0	0		0	0	0
0	0	0		0	0	0
0	0	0		0	0	0
0	0	0		0	0	0
7,723	0	0		0	0	0
0	0	0		0	0	0
19,980	18,352	18,352		0	0	0
0	0	0		0	0	0
7,275	7,920	7,920		0	0	0
0	0	0		0	0	0
0	0	0		0	0	0
2,154	0	0		0	0	0
0	0	0		0	0	0
0	0	0		0	0	0
7	0	0		0	0	0
0	0	0		0	0	0
1376	0	0		0	0	0
0	0	0		0	0	0
0	0	0		0	0	0
0	0	0		0	0	0
0	0	0		0	0	0
0	0	0		0	0	0
0	0	0		0	0	0
1,377	0	0		0	0	0
0	0	0		0	0	0
67,310	31,272	31,272		5,000	5,000	0
78,409	62,560	63,822		39,885	40,197	0
78,409	62,560	63,822		39,885	40,197	0
777	0	0		0	0	0
0	1,000	1,000		2,700	2,700	0
29	0	0		0	0	0
210	799	799		0	0	0
500	0	0		0	0	0
0	0	0		0	0	-65
266	0	0		0	0	0
1,790	0	0		0	0	0
0	0	0		0	0	-29
0	482	482		0	0	0

683	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
904	0	0	0	0	0
89	0	0	0	0	0
1245	1,200	1,200	0	0	0
0	7,500	7500	0	0	0
397	0	0	0	0	0
25	0	0	0	0	0
626	0	0	0	0	0
2,515	0	0	0	0	0
1491	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
75	0	0	0	0	0
11,622	10,981	10,981	2,700	2,700	-94
2,881	0	0	0	0	0
0	0	0	0	0	-27
0	0	0	0	0	0
27	0	0	0	0	27
213	0	0	0	0	230
94	0	0	0	0	0
303	0	113	0	0	0
234	0	0	0	0	0
5	0	0	0	0	0
2227	143	143	0	0	0
9128	4,493	4493	0	0	0
470	86	32	0	0	41
550	10	19	0	0	33
0	0	0	0	0	-20
0	0	0	0	0	0
0	0	0	0	0	0
12	0	0	0	0	0
49	0	0	0	0	0
79	0	0	0	0	0
0	0	0	0	0	-113
70	0	0	0	0	-307
0	0	0	0	0	0
150	0	0	0	0	0
0	0	0	0	0	0
410	0	0	0	0	0
198	99	99	0	0	0
0	0	0	0	0	0
1,522	1,236	1025	0	0	0
0	0	0	0	0	-184
10	0	0	0	0	0

208	0	0	0	0	0
377	89	0	0	0	0
620	0	0	0	0	394
160	0	0	0	0	0
0	0	0	0	0	0
1333	419	419	0	0	0
228	93	93	0	0	0
1255	449	449	0	0	0
1147	354	354	0	0	0
1523	383	383	0	0	0
68	39	39	0	0	0
350	0	0	0	0	0
1,270	411	372	0	0	-36
116	0	0	0	0	0
15	0	0	0	0	0
14	0	0	0	0	-10
28	0	0	0	0	0
83	0	0	0	0	-41
12	0	0	0	0	10
434	0	0	0	0	0
74	0	0	0	0	-6
89	0	0	0	0	0
30	0	0	0	0	-42
337	200	0	0	0	42
48	26	0	0	0	0
935	0	0	0	0	0
0	0	0	0	0	1
0	0	0	0	0	6
347	500	500	0	0	0
0	0	0	0	0	0
0	0	0	0	0	-339
8,114	647	647	0	0	0
4270	0	0	0	0	0
11,500	11,875	11,875	5,501	5501	0
53,617	21,552	21,055	5,501	5,501	-341
0	0	0	0	0	-14
0	0	0	0	0	-16
42	0	0	0	0	0
0	0	0	0	0	0
236	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
8,694	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
500	0	0	0	0	0

[illegible]

0	0	0		0	0		0
0	0	0		0	0		0
0	0	0		0	0		0
9,387	0	0		0	0		0
3,950	2,308	2,308		0	0		0
500	500	500		0	0		0
13,837	2,808	2,808		0	0		0
339,430	146,302	147,602		53,086	53,398		-747
1471	0	0		0	0		9
30	4,281	28,258		0	0		30
2,499	6,317	6,317		0	0		0
0	0	0		0	0		0
6,000	2,527	2,527		0	0		0
10,000	13,125	37,102		0	0		39
349,430	159,427	184,704		53,086	53,398		-708

Manchester City Council Report for Information

Report to: Audit Committee - 27 July 2021

Subject: Outstanding Audit Recommendations

Report of: Deputy Chief Executive and City Treasurer / Head of Audit and Risk Management

Summary

In accordance with Public Sector Internal Audit Standards, the Head of Audit and Risk Management must “establish and maintain a system to monitor the disposition of results communicated to management; and a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action”. For Manchester City Council this system includes reporting to directors and their management teams, Strategic Management Team, Executive Members and Audit Committee. This report summarises the current implementation position and arrangements for monitoring and reporting internal and external audit recommendations.

Recommendations

Audit Committee is requested to note the current process and position in respect of high priority Internal Audit recommendations.

Wards Affected: All

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Background documents (available for public inspection):

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents

are available up to four years after the date of the meeting. If you would like a copy, please contact one of the contact officers above

- Outstanding Audit Recommendations Report to Audit Committee - January 2021
- Head of Audit and Risk Management Annual Opinion – June 2021

1 Introduction

- 1.1 Audit Committee are provided with regular reports on actions taken to address outstanding high priority recommendations made by both Internal and External Audit. As a result of Covid19 there was a pause on the formal review and reporting of recommendation implementation as services focused on crisis response and recovery actions. Internal Audit have now re-established contact with senior managers and this report outlines the current status on overdue recommendations.
- 1.2 There had been understandable delays in progressing some of the agreed actions as officers across the Council have been refocused on unplanned essential activities that were and are still required to respond to the pandemic. As a result, Internal Audit have engaged with services to understand the impact on timescales and what the realistic, achievable revised dates for completion of actions is likely to be.
- 1.3 There are four categories of recommendation priority: critical, significant, moderate and minor. This report provides the details of progress to address outstanding recommendations in the high risk (critical and significant) categories and an update on proposed next steps. This report focuses solely on Internal Audit recommendations, as there are currently no high priority External Audit recommendations currently outstanding.

2 Standard Process

- 2.1 Internal Audit usually follows up management actions on high risk recommendations at least quarterly to obtain assurance that progress is being made to address risk. Management are required to provide demonstrable evidence to show that agreed actions have been implemented. Internal Audit considers this evidence and may choose to re-test systems and controls on a risk basis to provide assurance that agreed improvement actions have been implemented and are operating effectively.
- 2.2 Where a limited or no assurance opinion is issued, a full follow up audit is undertaken after 6-12 months to test whether agreed areas for improvement have been addressed.
- 2.3 Progress made in the implementation of agreed actions from audit reports is reported quarterly to Directorate Leadership Teams (DLTs), Strategic Management Team (SMT) and Audit Committee. Executive Members are notified of high priority recommendations reaching six months overdue. At nine months overdue, Strategic Directors are required to attend Audit Committee with the relevant Executive Member to explain the position and progress to either address or accept the reported risks.
- 2.4 In accordance with Audit Committee expectations, the risk relating to recommendations will not be written back to Strategic Directors when agreed actions are over 12 months past the agreed implementation date. This period has been extended to 18 months and Directors will continue to attend Committee to outline the reasons for delay and mitigating actions that they consider have reduced risk exposure to a tolerable level.

3 Current Implementation Position

- 3.1 The position in terms of high priority internal audit recommendations implemented is summarised below and in detail at Appendix 1.
- 3.2 Of 26 outstanding recommendations reported to Audit Committee in the last full, formal update in January 2021 the current position is:
- Implemented: 17
 - Superseded: 3
 - Outstanding: 6
- 3.3 Internal Audit has confirmed significant progress in that services have been able to complete actions to address 17 high priority recommendations in 10 audits, as follows:
- Adults: Mental Health Casework Compliance (5)
 - Adults: Transitions (2)
 - Adults: Management Oversight and Supervision (2)
 - Growth and Development: Section 106 Agreements (1)
 - Homelessness: Floating Support to dispersed homeless citizens (1)
 - Core: Decommissioning Contracts: Leaving Care (1)
 - Core / Children's: Procurement in Schools (1)
 - Core: Contract Spend Review (1)
 - Core: General Data Protection Regulation: Data Protection Impact Assessments (2)
 - Core: Purchase Cards (1)
- 3.4 In addition to the above, three recommendations from an audit of the Adults Improvement Plan have been superseded. These recommendations related to the governance management and monitoring of improvement activities across the Directorate. During 2020/21 the Adults Improvement Plan has been superseded by the workstream on Health and Care Integration and development of the Manchester Local Care Organisation (established as part of the Council-wide Future Shape Programme) and the Better Outcomes Better Lives Programme (BOBL) which is designed to further develop the strengths based approach to service improvement, quality and engagement across adult social care. Internal Audit have been engaged in the development of governance for Future Shape and BOBL and whilst the original audit recommendations are no longer applicable, we consider that relevant learning and improvement points from the audit have been applied in these successor programmes and the exposure to risk has been addressed.
- 3.5 Positive progress has been made by the Directorate of Adults in three audits where recommendations have been outstanding or partially implemented for over 18 months.
- 3.6 The **Transitions** audit report from 2017 included three principal recommendations to develop a transitions vision and strategy; operational plan; and associated key performance indicators. These were due for implementation

by October 2018 with actions agreed by senior officers who have all since left the Council. The current Strategic Director and Assistant Director (Complex Needs) have led on a series of improvement actions having established a new Transitions Board in 2019; produced a transitions strategy and delivery plan; and appointed a Service Lead who started in December 2020.

- 3.7 The risks identified in the original audit were centred around the need to develop a clear approach to transitions and to ensure that this approach and associated plans for delivery were in place. The actual activity undertaken by management has gone beyond these recommendations with comprehensive, system wide engagement both with Childrens' Services but wider partnerships and stakeholders across the City.
- 3.8 Key priorities were established and agreed across children and education services and adult social care in February 2021 focused on (i) protocols and processes, (ii) integrated commissioning; and (iii) mapping of future demand. The Service Lead has also taken forward practice-based development to reflect key risk areas (Mental Capacity Act, Liberty Protection Safeguards, Transitional Safeguarding) as well as having developed information, advice and guidance and a transitions team development plan.

- 3.9 These actions largely address the risks on which the original audit recommendations were based, but the service is also incorporating transitions in the BOBL programme and a key outcome of this planned work is to focus on key success criteria, rather than the original proposal from Internal Audit which was to develop key performance indicators. We support this approach and as a result Internal Audit consider that the recommendations in respect of strategy and operational plan are now implemented but will follow up on the outcome of the BOBL work on success criteria before confirming that aspect of the original agreed actions as being complete.
- 3.10 A follow up audit of **Mental Health Casework Compliance** has been completed and report drafted. This audit focused on all the recommendations from the original report and from these we confirmed that agreed actions to improve the transparency of the system audit trail, assurance over recording in Paris (the Mental Health Trust system), the timeliness of annual reviews of care packages, controls over protection plan review dates and the reporting of Section 75 KPI's had been fully implemented.
- 3.11 Controls over data quality have been implemented to enable reporting against expected standards including the requirements for management approvals; sign-off of safeguarding referrals; and completion of investigations. A daily data quality report has now been introduced alongside training and the establishment of new roles to oversee and drive improvements in standards and levels of compliance. The audit confirmed that the agreed recommendations to improve oversight and reporting had been addressed but noted that further work is still needed, utilising this management information, to further develop the behaviours and practice necessary to ensure consistent levels of compliance with agreed standards. Until this is achieved there remains a level of risk. As a consequence, actions to continue improving levels of compliance must remain an area of focus for senior management within the Council and the Trust but from an Internal Audit perspective the agreed actions have been taken and the recommendations have been classified as implemented.
- 3.12 One recommendation remains outstanding. A proposed process for reconciling safeguarding referrals and the outcomes of these between the Council and the Trust was not in place. Issues arising from the Council's move to Liquid Logic and the Trust's move to Paris, along with a change in priorities and working arrangements because of Covid19 have impacted on both organisations' abilities to prioritise this work. We were told work was being planned to develop the required reconciliation processes between Liquid Logic and Paris. The timing for this is to be confirmed but we understand this is unlikely to be in place until late 2021.

- 3.13 Whilst undertaking this follow up audit we were also made aware that the Trust had worked with the Council to undertake further work to improve safeguarding practice. Whilst not contributing directly to the management of risks identified during the original audit this activity provides confidence that the Trust is committed to taking the necessary steps to improve performance. Specifically the Trust had undertaken an internal qualitative audit of safeguarding practice which identified areas of good practice as well as areas in need of improvement, the outcome of which (as shared with the Council) was an action plan to address generic issues with individual practice issues addressed on a case by case basis. A second qualitative audit is planned for completion by the end of 2021. Internal Audit fully support this approach of ongoing periodic review. The Trust has also introduced new roles (Professional Lead for Social Care and Divisional Lead for Social Care) to develop all aspects of social care. This includes specific responsibilities to support and improve safeguarding practice.
- 3.14 Follow up on the audit of **management oversight and supervision** confirmed that the two recommendations previously reported as partially implemented had been addressed. A comprehensive policy and approach for supervisions had been established and this provided detailed guidance and templates for use. Training for staff had been rolled out pre-Covid19 and we were provided with evidence that this had been supplemented by further on-line and face to face training in 2021. Systems were also in place using the new tools in Microsoft 365 to track and report the completion of supervisions in line with the agreed supervisions policy. Whilst this process did identify some areas where the timeliness of supervisions needed further focus and attention, it did address the original recommendation which was to have a system of management and oversight in place and as a result these recommendations are now classified as implemented.

Outstanding Recommendations

- 3.15 There are six recommendations from audit reports that are overdue past the agreed implementation dates. All of these are now overdue by more than 9 months and are shown in Appendix 2.
- Adults: Mental Health Casework Compliance (1)
 - Adults: Transitions (1)
 - Growth and Development: Section 106 Agreements (1)
 - Children's: Planning for Permanence (3)
- 3.16 Management have confirmed that actions in response to the Planning for Permanence recommendations have been completed and have provided a description of progress made. Work is being scoped for a follow up audit to be completed by the end of August 2021 and the outcome of this will be reported to Audit Committee in the next assurance update.

4 Recommendations

- 4.1 Audit Committee is requested to note the current process and position in respect of high priority Internal Audit recommendations.

Appendix 1 – Implemented Recommendations

Audit Title	Due Date	Recommendation	Management Response	Update/Opinion	Ownership and Actions
Mental Health Casework Compliance 5 April 2019	30 June 2019	The Director of Adult Services should seek assurance from the Trust over consistency in recording safeguarding investigation activities, including whether the new case management system, Paris, can enforce correct procedures via system workflows. This may involve strengthening timely management oversight on case work and enhanced training for all case workers to ensure that procedures are understood.	Greater Manchester Mental Health Trust and Council to jointly establish a 'Task & Finish' group to investigate, work to resolve, and report progress back to the Director of Adult Services.	Management have undertaken qualitative assurance work over safeguarding practice in January 2021 and they have informed us of their intent to do so again before the end of the year. Our view is that this work is sufficiently beneficial to suggest that these reviews should be done periodically on an ongoing basis. Whilst there were still some performance issues, the Trust has undertaken every reasonable effort to address the systemic issues previously identified. Internal Audit opinion: Implemented	No further action required
Mental Health Casework Compliance 5 April 2019	30 June 2019	The Mental Health Commissioning Manager should undertake a review of performance reporting against the agreed KPIs to ensure that performance is being reported accurately and consistently in line with the Section 75 agreement.	The Quality & Performance group is working on improvements to the current performance reporting arrangements; changes are planned for the new financial year (from April 2019 onwards), including addition of commentary.	The current Section 75 agreement with the Trust is to be replaced as these contractual arrangements will end on 31 March 2022. Although not all of the KPI's are currently being reported by the trust because of system limitations, the majority are. Given the future changes to the contract and the Section 75 agreement it was considered that further work at this time to address the shortfall would not be beneficial and instead a review of the KPIs was taking place to ensure that the new S75 will agreement would contain reportable KPIs. Given that the existing Section 75 agreement is due to be superseded, and	No further action required

Audit Title	Due Date	Recommendation	Management Response	Update/Opinion	Ownership and Actions
				<p>that most of the agreed performance indicators are being reported we have considered this recommendation as Implemented.</p> <p>Internal Audit Opinion: Implemented</p>	
Mental Health Casework Compliance 5 April 2019	30 June 2019	The Director of Adult Services should seek assurance from the Trust in regard to whether Paris, the new case management system, offers improved controls over the initial response to safeguarding concerns, such as requiring management sign-off within 24 hours of receipt of the referral.	Greater Manchester Mental Health Trust and Council to jointly establish a 'Task & Finish' group to investigate, work to resolve, and report progress back to the Director of Adult Services.	<p>The Trust have developed a new training plan, the electronic elements of which have been undertaken and have issued guidance to staff regards their responsibilities. This has also been supported by the introduction of Professional Leads for Social Care to provide advice and support including for safeguarding. A daily data quality (DQ) report has been introduced which highlights where decisions have not been recorded, referral forms are not yet authorised, and provides dates where they have.</p> <p>Based on the DQ reports provided it is clear there have been improvements in the design of controls for recording and reporting of management approvals, sign off and investigations as recommended in the audit report. However, performance was still inconsistent and there were still performance issues with evidence of decisions not recorded, referrals not approved, and referrals not approved in a timely manner. This remains a risk for management to focus on but the system</p>	No further action required

Audit Title	Due Date	Recommendation	Management Response	Update/Opinion	Ownership and Actions
				<p>controls now in place provide a basis for management and improvement of performance which was the focus of original audit recommendation.</p> <p>Therefore whilst management in the Trust and Council must continue to use these reports to monitor and manager performance and drive actions for improvement, the original recommendation has been addressed. These points are emphasised in a formal Internal Audit follow up report to be issued to senior management in July 2021.</p> <p>Internal Audit opinion: Implemented</p>	
Mental Health Casework Compliance 5 April 2019	30 June 2019	The Director of Adult Services should seek assurance from the Trust that manager approval is actively monitored to ensure compliance with quality and time standards.	Greater Manchester Mental Health Trust and Council to jointly establish a 'Task & Finish' group to investigate, work to resolve, and report progress back to the Director of Adult Services.	<p>As above.</p> <p>Internal Audit opinion: Implemented</p>	No further action required
Mental Health Casework Compliance 5 April 2019	30 June 2019	The Director of Adult Services should seek assurance from the Trust over how the timely and appropriate conclusion of investigations can be better managed and monitored – for example, system workflows to ensure adherence to procedure, and system generated reports of open investigations for which no recent activity has been logged.	Greater Manchester Mental Health Trust (GMMHT) and Council to jointly establish a 'Task & Finish' group to investigate, work to resolve, and report progress back to the Director of Adult Services.	<p>As above.</p> <p>Internal Audit opinion: Implemented</p>	No further action required

Audit Title	Due Date	Recommendation	Management Response	Update/Opinion	Ownership and Actions
Transition to Adult Services 15 Feb 2018	30 April 2018	<p>The Deputy Director of Adults Social Services should develop a clear transitions strategy and vision in conjunction with Children's Services and other key partners, in line with Care Act requirements. Once developed the strategy and vision should be used to inform the development of a clear service offer for transitions. This offer should be clearly communicated to confirmed key stakeholders including service users.</p> <p>Advice could be sought from other Local Authorities including the Council's Adults Services improvement partner, and differing approaches considered.</p>	Transitions Strategy and Vision to be developed	<p>Vision and strategy was developed as part of refreshed governance and a new Transitions Board from 2019. This has been the baseline for ongoing development of the transitions offer and whilst senior management want to further develop this and further embed engagement across all stakeholders. Strategic Plan signed off by Board in March 2020 and the new service manager appointed from December 2020 to drive this forward. The Service Manager is revising the approach and this includes ongoing engagement throughout 2021.</p> <p>The service offer has been developed and shared via consultation and stakeholder engagement - whilst this is ongoing work there is a strategy and vision and plans in place for the delivery of transitions activity and in the assessment of Internal Audit the key recommendations from the original report have been addressed.</p> <p>Internal Audit Opinion: Implemented</p>	No further action required
Transition to Adult Services 15 Feb 2018	31 Oct 2018	The Deputy Director of Adults Social Services should ensure that within six months an operational plan is in place for delivering the revised transitions offer in line with the agreed strategy and vision. This plan should include the formalisation of policy and procedure, roles and	Operational Plan in place for delivering the revised transitions offer in line with the agreed strategy and vision	<p>As above a plan is in place for delivery and the further development of transitions activity. This is based on system wider engagement and underpinned by three key priorities and workplan within these around:</p> <ul style="list-style-type: none"> • Protocols and processes • Integrated commissioning 	No further action required

Audit Title	Due Date	Recommendation	Management Response	Update/Opinion	Ownership and Actions
		responsibilities and the use of transition specific documentation referred to in National Institute for Clinical Excellence (NICE) guidance.		<ul style="list-style-type: none"> Mapping of future demand <p>Whilst plans will continue to adapt based on the ongoing development of the approach to transitions and engagement of partners and stakeholders it is the assessment of Internal Audit that the key recommendations from the original report have been addressed.</p> <p>Internal Audit Opinion: Implemented</p>	
Adult Services Management Oversight and Supervision 5 April 2019	31 May 2019	<p>The Assistant Director of Adult Services should establish a central means of monitoring the actual frequency of supervisions. Accuracy of this central record should be confirmed as part of the QA process (see recommendation 4.1).</p> <p>The results in terms of frequency and quality should be audited, analysed, and reported annually.</p>	<p>Audit process to be agreed within the Supervision Task & Finish Group. Process will be embedded into the final Supervision Policy.</p> <p>Additional Resources Required for implementation: Yes – Support from the Reform and Innovation Team secured.</p>	<p>Comprehensive supervision policy in place to sustain quality standards supported by training programme for team and service managers during 2020 and 2021.</p> <p>System in Microsoft 365 (using forms and excel) developed for tracking of supervision completeness with reporting to Adults DLT via the Principal Social Worker (Adults). This is used to track completeness against targets for all service areas.</p> <p>Internal Audit Opinion: Implemented</p>	No further action required
Adult Services Management Oversight and Supervision 5 April 2019	30 Nov 2019	The Assistant Director of Adult Services should ensure that a programme of supervision training is developed, and that this training is offered to and completed by all social work supervisors.	Training plan to be agreed and implemented via the Supervision Task & Finish Group. Training will be provided to new starters in a pilot phase before being rolled out to existing staff.	Training for team and service managers based on revised policy which includes standard forms and guidance. Training included face to face (pre covid) and then a mix of virtual and face to face refresher training during late 2020 and 2021.	No further action required

Audit Title	Due Date	Recommendation	Management Response	Update/Opinion	Ownership and Actions
				Updates and refresher plans overseen by Adults DLT via the Principal Social Worker (Adults).	
Section 106	31 May 2020	Formalise and update the resources and team structure, finalise policies and procedures and formalise governance proposals.	Accepted	<p>Governance processes have been improved with the establishment of the S106 Operational Group. The terms of reference for this group detail its role and the officers from across various Council services that make up the group. Revised procedures have been developed and are recorded on a central database. The structure review is approaching completion which involves a major revision to the team, and it is expected to commence the recruitment process for a dedicated S106 officer.</p> <p>Until then the current officer will continue to take the lead on S106 activities.</p> <p>Internal Audit opinion: Implemented</p>	No further action required
Floating Support - Support to Homeless Citizens in Temporary (Dispersed) Accommodation 29 May 2019	30 Oct 2019	<p>The Strategic Lead - Homelessness and Migration should ensure that documentation requirements for case activity are confirmed for all key tasks. Representatives from the business should then be identified to engage with Liquid Logic to establish what has been designed and whether it meets the needs of the Service. Ideally this would develop formal workflows that will ensure:</p> <ul style="list-style-type: none"> All key records to be retained in a consistent format that 	Meetings with Liquid Logic have already taken place since the initial findings of the audit report to make the new system fit for purpose for the homeless service. Initial discussions show this will not be possible until phase 2 of the roll out. In the meantime, officers will meet with the Liquid Logic team, to see what can be best utilized from the system as it stands to better support the floating support case management and supervision.	Delays in implementation were based on the need to develop and implement core documentation requirements within Liquid Logic (LL) phase two. Work is estimated to take 12-18 months with delays exacerbated by Covid 19. Internal Audit have seen compensating controls in operation through the use of spreadsheets and Microsoft Teams that are being used to effectively monitor service performance and quality. These are used in six weekly supervisor meetings with teams to analyse reports, caseloads and cross reference with	No further action required

Audit Title	Due Date	Recommendation	Management Response	Update/Opinion	Ownership and Actions
		<p>also enables management sign off (if required), case prioritisation and review as well as alerts where key actions have not been completed.</p> <ul style="list-style-type: none"> Management information can be produced directly from the system (such as last visit date). Consideration should also be given to embedding of key documents for example sign up paperwork. 		<p>records in LL. The assessment of management and of Internal Audit is that these additional compensating controls provide effective assurance over floating support case management.</p> <p>Internal Audit Opinion: Implemented</p>	
Decommissioning Contracts: Leaving Care 23 March 20	30 Sept 20	<p>A guidance framework to assist future decommissioning activity should be created which should include information on the following areas:</p> <ul style="list-style-type: none"> Decision options Who to include in the project Key project Staff (e.g. permanent v consultant, Interim v permanent) Timelines that need to be considered (e.g. TUPE consultation, pension set up) How to document the process Approval process The importance of impartial review and challenge Lessons learnt review Achievement of aims review <p>A guidance framework should be created which should include information on the following areas:</p>	As recommendation.	<p>A guidance framework in respect of decommissioning has been added to the How to Buy Something section of the intranet. This includes:</p> <ul style="list-style-type: none"> what you need to know/do who to notify options if goods/service are still needed new provision and what to consider procurement requirements estimated timescales who you may need to involve. <p>Internal Audit Opinion: Implemented</p>	No further action required
Procurement in Schools 12 July 2019	30 Nov 2019	Director of Education to consider arranging procurement workshops for Governors, Head Teachers and Business support staff. These	Joint workshops for stakeholders to be facilitated by representatives from Procurement, Schools Finance and Audit. The focus will	Discussions have taken place between finance, procurement and internal audit. It was agreed that the principal approach to procurement advice would	No further action required

Audit Title	Due Date	Recommendation	Management Response	Update/Opinion	Ownership and Actions
		<p>sessions should be used to highlight the risks and issues as identified during this audit along with guidance, support and templates where necessary to address these issues and risks. These forums can also be used to re-promote the DfE schools buying hub.</p> <p>We are happy to support this work however consideration should be given to involving Head Teachers and Business Managers from schools where procurement practices are strong in sharing their knowledge and expertise with their peers.</p> <p>Internal Audit propose issuing a circular to all schools following this work around areas where improvements are required. This circular will include a tool for schools to self-assess their own procurement practice ahead of the proposed workshops.</p>	<p>be on an overview of procurement risk and processes, access to and understanding of national and Council guidance, relevant procurement and finance regulations and reasons why they must be followed.</p>	<p>be signposting in the DfE Procurement Hub which offers guidance, tools and support to schools.</p> <p>Internal Audit have observed this approach being applied as part of the process of school meals contracts support in 2021.</p> <p>Procurement, audit and schools finance will continue to offer ad hoc advice to schools where possible.</p> <p>The wider offer to schools may be reconsidered as part of assessing the role of the Core in the Future Shape work but at this stage no commitment to further support can be made.</p> <p>Internal Audit Opinion: Implemented</p>	
Contract Spend Review 10 December 2019	31 March 2020	<p>Work should be undertaken to identify the Council's main strategic suppliers. The information contained within contract registers could facilitate this and help to identify those suppliers whether this be by number or value of contracts, or service dependency. A plan for how these contracts should be monitored along with any central</p>	<p>Agree with some comments. Directorates do have some arrangements in place for strategic suppliers. A one size fits all approach is unlikely to work but the Team can develop guidelines and key principles. The management of strategic suppliers will also require work between DMTs and key partners, particularly in health.</p>	<p>As part of our recent supplier due diligence audit we concluded that work has been undertaken to identify the Council's strategic suppliers. This was through discussions with commissioning leads and Project Management Office staff and through use of the criticality tool and the resultant rating then added to the relevant contract registers that are in place across Directorates and</p>	No further action required

Audit Title	Due Date	Recommendation	Management Response	Update/Opinion	Ownership and Actions
		oversight to be put in place should then be developed to ensure that the Council can take suitable action if becoming aware of any warnings indicating supplier failure.		<p>overseen by the Procurement and Integrated Commissioning Service.</p> <p>A plan for how they should be monitored has been developed in the 'Guide for extent and frequency of contract management activities'. Subsequent dissemination and oversight of this is covered in the recommendations made in the Supplier Due Diligence audit.</p> <p>Internal Audit Opinion: Implemented</p>	
GDPR Data Protection Impact Assessments (DPIA) 1 November 2019	30 April 2020	The Data Protection Officer (DPO), with support from Corporate Communications, should ensure that the data protection communications plan includes messages to address the awareness gaps identified in our audit. The messages should be presented to CIARG for review and approval.	Accepted	<p>Communication regarding the requirements for DPIAs has been addressed in two ways:</p> <p>1. A general GDPR awareness message was included in The Forum on 25 May, the third anniversary of GDPR. This was followed up by inclusion of the DPO in Staff Spotlight on 4 June. The DPO's story included a substantial section covering DPIA.</p> <p>2. On 23 March, SMT considered the six-monthly joint report of the City Solicitor (as Senior Information Risk Officer) and DPO. The report addressed DPIA requirements and made a specific recommendation that Strategic Directors cascade the message through their management teams. The recommendation was accepted.</p> <p>Whilst the above actions address the specific audit recommendation, future communications about information</p>	No further action required

Audit Title	Due Date	Recommendation	Management Response	Update/Opinion	Ownership and Actions
				governance will reiterate DPIA awareness where appropriate. Internal Audit Opinion: Implemented	
GDPR DPIA 1 November 2019	30 April 2020	The Data Protection Officer (DPO), with support from the Directorate Senior Information Risk Owners (DSIROs), should establish arrangements for the periodic monitoring of compliance with DPIA requirements.	Accepted	The DPO is monitoring compliance through two key routes: 1. Reviewing the Register of Key Decisions each time it is published and following up with DSIRs and lead officers where a DPIA is likely to be required. This measure has been in place since January 2020 and has identified cases of both compliance and non-compliance. Where non-compliance has been identified DPIAs have been progressed. 2. The DPO is now a member of the ICT Change Board and reviews all proposed changes and follows up where the change request indicates the need for a DPIA. This measure has only been in place since mid-May 2021 but has already identified one change project where a DPIA had been completed and two others where a DPIA might have been required but turned out not to be on further examination. Internal Audit Opinion: Implemented	No further action required
Purchase Cards 19 September 2018	31 Dec 2018	The Deputy Chief Executive and City Treasurer should develop guidelines setting out the general principles for providing hospitality to	The City Solicitor, supported by the DCE and City Treasurer, will develop guidance on the provision of hospitality. They will also identify	The Code of Conduct was agreed by Personnel Committee in January 2021 and has been made available to all Officers and Members via the Intranet.	No further action required

Audit Title	Due Date	Recommendation	Management Response	Update/Opinion	Ownership and Actions
		others, including where a Council officer or member also benefits from the expenditure. This should be supported by examples as appropriate. Internal Audit will support implementation of this recommendation by providing an outline of potential areas for inclusion and will provide further details of test findings on request.	a suitable place within the existing guidance framework for this to be published.	The revised Code specifically addresses the provision of Gifts and Hospitality by Council officers. Internal Audit Opinion: Implemented	
Adults Improvement Plan Governance 9 January 2020	31 March 2020	The Strategic Lead Business Change should re-evaluate the 'action type' categories and how these can be clarified and simplified. For example, each action could be assigned a priority level (1/2/3) to indicate whether it is currently an area of active focus. We recommend that the workstream leads include an update on each action of the highest priority level in the highlight reports	As part of a 12 month stock-take of the Improvement Programme the action plans are being refreshed, which will include clearer indication of priority level and milestones/sequencing which will flow through into highlight reporting.	Adults Improvement Plan has been replaced by Future Shape (Health and Social Care Integration) and Better Outcomes Better Lives Programme. Internal Audit assured that lessons learned from the Improvement Plan audit have been reflected in governance, project management and reporting arrangements in these successor programmes. Internal Audit opinion: Superseded	No further action required
Adults Improvement Plan Governance 9 January 2020	30 April 2020	The workstream lead for Provider Services and the Improvement Board should collectively agree on a manageable number of improvement actions, ensuring that these align with the Risk Register and agreed areas of focus. These could be either cross-cutting, specific to individual services, or a combination of both. This should be of a size to allow the entire	As part of a 12 month stock-take of the Improvement Programme the action plans are being refreshed. For the Provider Services workstream this will mean a streamlining of actions included in the ongoing core Improvement Programme with some actions moving into the new programme of work to review Provider Services (across Health & Social Care).	As above Internal Audit opinion: Superseded	No further action required

Audit Title	Due Date	Recommendation	Management Response	Update/Opinion	Ownership and Actions
		workstream or thereabouts to be reviewed at a workstream meeting, and updates on all of the highest priority actions should be reported onwards to the Improvement Board, which would better enable oversight and focus on key priorities.			
Adults Improvement Plan Governance 9 January 2020	30 April 2020	The Technology Enabled Care (TEC) and Workforce workstream plans should be refreshed using the standard template, which allows for increased clarity over action owners, target timescales, and updates on current status. The workstream leads should ensure these are regularly reviewed and kept up to date and use these to inform the highlight reports.	As part of a 12 month stock-take of the Improvement Programme the action plans are being refreshed. This has already taken place for the Workforce workstream. The TEC workstream is being considered as part of the wider MLCO portfolio with a clear action plan to be finalised by April 2020.	As above Internal Audit opinion: Superseded	No further action required

Appendix 2 – Recommendations Over 9 Months Overdue

Audit Title	Due Date	Recommendation	Management Response	Update/Opinion	Ownership and Actions
Mental Health Casework Compliance 5 April 2019	30 Sept 2019	The Director of Adult Services should ensure that a formal process is agreed and established with the Trust for a monthly reconciliation between safeguarding referrals sent and received. Trust and Council staff should work together to ensure that the new case management systems in each organisation – Paris and Liquid Logic, respectively – consistently record outcomes of safeguarding referrals, so that these can more easily be transferred across systems to ensure completeness of Council records and ability to monitor outcomes.	It is accepted that safeguarding outcomes need to be recorded in MiCare (Liquid Logic in future). Quality and Performance group will consider options to ensure this can be done efficiently and effectively.	A system for reconciling safeguarding referrals and outcomes between the Council and the Trust is the final recommendation from this report to be addressed. Whilst overall the risks in this area have reduced as a result of the evident improvement in governance and controls in all other areas from the audit, this one recommendation remains outstanding. This specific recommendation has been impacted by the Council's move to Liquid Logic and the Trust's move to Paris, along with a change in priorities and working arrangements because of Covid. This has impacted on both organisations' abilities to prioritise this work. Internal Audit advised that work being planned to develop processes between Liquid Logic and Paris, however this is still likely to take time. Internal Audit Opinion: Not Implemented	Director: Bernadette Enright, Executive Director of Adult Social Services Executive Member: Councillor Midgley Status: 22 months overdue Action: To follow up by December 2021
Transitions to Adult Services 15 Feb 2018	30 June 2018	To support day to day performance management the Interim Deputy Director of Adults Social Services should introduce a suite of Key Performance Indicators. This	Key performance Indicators (KPIs) to be introduced.	Qualitative measures of success have been developed based on the transitions strategy and cross system engagement and as a result the risks in this area have	Director: Bernadette Enright, Executive Director of Adult Social Services Executive Member: Councillor Midgley

Audit Title	Due Date	Recommendation	Management Response	Update/Opinion	Ownership and Actions
		<p>should be defined once the strategy and vision in place.</p> <p>A long-term solution should be considered and built into Liquid Logic to help identify performance trends and provide assurance to senior management.</p>		<p>been reduced but not yet addressed in full.</p> <p>These are to be assessed as part of a three month review within the BOBL programme following which measures of success rather than specific KPIs will be determined and agreed.</p> <p>Internal Audit Opinion: Partial Implemented</p>	<p>Status: 36 months overdue</p> <p>Action: To review and confirm measures following completion of BOBL work by end November 2021</p>
Section 106	31 May 2020	Reconcile the new database to the various records held across the Council and update the database to ensure details of all 106 agreements are recorded in a single place.	Accepted	<p>This activity has started by was impacted by Covid19 lockdown given both the need to work from home and on the allocation of resources to urgent areas of focus.</p> <p>Completion is partially dependent upon the appointment of a dedicated officer in the new structure and the planned return to the office from July 2021.</p> <p>The timescale for completion is to acknowledge the current lack of certainty over the volume of work required to ensure all S106 agreements across the Council are recorded in one place to fully address the recommendation. This will not be known with certainty until the reconciliation has commenced (from end of July 2021).</p> <p>Internal Audit opinion: Partially implemented</p>	<p>Director: Julie Roscoe until Becca Heron starts as new Strategic Director in October 2021.</p> <p>Executive Member: Councillor Rawlins</p> <p>Status: 14 months overdue</p> <p>Action: Remains partially implemented – to check progress again in October 2021 and liaise with newly appointed Director, with view to new Section 106 post being fully operational by March 2022.</p>

Audit Title	Due Date	Recommendation	Management Response	Update/Opinion	Ownership and Actions
Children's: Planning for Permanence	1 April 2020	Locality Managers should confirm which staff in their locality have not received any training or briefings on the policy and consideration should be given to running some additional events for those who have not yet been trained.	This will be addressed by continuing to run additional training events to ensure all staff have receive required training and by refresh of the induction process to include reference to awareness of the revised policy.	The recommendation fell due for implementation during the COVID19 lockdown. Management have confirmed that actions are now complete. We will be undertaking a follow up audit for completion by the end of August 2021 which will include confirming the evidence to show the progress against this recommendation. Internal Audit opinion: Not implemented – management state this is complete but to be tested and confirmed by end August 2021	Director: Paul Marshall, Strategic Director of Children's Services Executive Member: Councillor Bridges Status: 16 months overdue Action: Follow Up audit planned for completion by end August 2021
Children's: Planning for Permanence	1 April 2020	The Permanence Improvement Board should review the impact of the initial roll out of the policy and to address any key issues, such as those identified in our review. In particular focus should be given to Permanence Planning Meetings (PPM) and how arrangements can be revised to make them more achievable. Requirements of PPM should be included, where applicable, in the Children's QA framework to ensure a level of consistency across each locality.	Senior Management will continue to raise awareness of the importance of the PPM process and engagement of social workers in this process.	The recommendation fell due for implementation during the COVID19 lockdown. Management have confirmed that actions are now complete. We will be undertaking a follow up audit for completion by the end of August 2021 which will include confirming the evidence to show the progress against this recommendation. Internal Audit opinion: Not implemented – management state this is complete but to be tested and confirmed by end August 2021	Director: Paul Marshall, Strategic Director of Children's Services Executive Member: Councillor Bridges Status: 16 months overdue Action: Follow Up audit planned for completion by end August 2021
Children's: Planning for Permanence	1 April 2020	Further performance measures should be developed to assess the effectiveness of permanence	Performance Improvement Board will continue to review performance monitoring to ensure continuous	The recommendation fell due for implementation during the COVID19 lockdown. Management have confirmed that actions are now complete. We will be	Director: Paul Marshall, Strategic Director of Children's Services Executive Member: Councillor Bridges

Audit Title	Due Date	Recommendation	Management Response	Update/Opinion	Ownership and Actions
		planning and then incorporate these in the Permanence score card.	improvement and in considering the effectiveness of the permanence scorecard.	<p>undertaking a follow up audit for completion by the end of August 2021 which will include confirming the evidence to show the progress against this recommendation.</p> <p>Internal Audit opinion:</p> <p>Not implemented – management state this is complete but to be tested and confirmed by end August 2021</p>	<p>Status: 16 months overdue</p> <p>Action: Follow Up audit planned for completion by end August 2021</p>

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**Manchester City Council
Report for Information**

Report to: Audit Committee – 27 July 2021

Subject: Implications of the Redmond Review on External Audit

Report of: Deputy Chief Executive and City Treasurer

Summary

This report outlines the findings of the Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting conducted by Tony Redmond which reported in September 2020.

The review was established in September 2019 by which time, it had become clear that there were problems in the local audit regime, specifically in relation to the audit of local government bodies such as councils, police bodies and this was evidenced by the fact that some 40% of audits were not completed in line with the 31 July reporting timetable set out in the Local Audit & Accountability Act 2014.

The Ministry of Housing and Local Government (MHCLG) has subsequently responded to the findings of the review and proposed a number of measures to be adopted in relation to the external audit function in Local Government.

Recommendations

To note the report

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Background documents (available for public inspection):

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

Independent Review into the Oversight of Local Audit and the Transparency of Local

Authority Financial Reporting

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/916217/Redmond_Review.pdf

1.0 Introduction

- 1.1 In the summer of 2019, it became clear that there were problems in the local audit regime, specifically in relation to the audit of local government bodies such as councils, police bodies and this was evidenced by the fact that 40% of audits were not completed in line with the 31 July reporting timetable set out in the Local Audit & Accountability Act 2014.
- 1.2 The Audit firms were also reporting pressures created by the fee regime which had resulted in a significant reduction in the local government audit market when fees were rising in the corporate sector, thus making the provision of public sector audit unattractive to the main audit firms.
- 1.3 In response the Ministry of Housing Communities and Local Government (MHCLG) commissioned a review into the effectiveness of local audit. Sir Tony Redmond was commissioned to undertake the review and his report was published in September 2020.
- 1.4 The report is based on a Call for Views which received 156 responses, together with over 100 interviews carried out by the review team. The responses cover a wide range of stakeholders including local government practitioners, audit firms, accountancy bodies, academia, and the general public.
- 1.5 The report also took note of the Brydon and Kingman reviews of the audit profession, and a review commissioned by the Competition and Markets Authority, following a number of high profile audit failures including Carillion, BHS and Thomas Cook. These reports, whilst focussed on the corporate sector, have some relevance to the public sector.
- 1.6 Whilst the Redmond report covered a range of issues relating to the audit market (that is the supply of auditors and the fees), it also covered a number of points relating to accountability, transparency and governance, some of which are directly relevant to the Audit Committee.

2 The local audit regime

- 2.1 Redmond noted that, following the abolition of the Audit Commission, the responsibility for the local audit regime has been split across a range of stakeholders. All of the stakeholders undertake an important part of the overall framework and include:
 - the National Audit Office (NAO) – responsible for the Code of Audit Practice together with the supporting guidance. Their role also extends to providing advice and engagement to facilitate consistency on significant issues;
 - the Financial Reporting Council (FRC) – issues standards and guidance to auditors. The FRC also has responsibility for the quality assurance reviews of larger local authority audits;
 - the Institute of Chartered Accountants of England & Wales (ICAEW) – responsible for maintaining a register of audit firms and Key Audit

Partners (KAPs) authorised to sign local authority audit reports in line with the specified legislation. The ICAEW also undertakes quality review of smaller councils;

- the Chartered Institute of Public Finance & Accountancy (CIPFA) – has the statutory responsibility for preparing the local government code of accounting practice. CIPFA is also the professional body for finance professionals in the sector; and
- Public Sector Audit Appointments Ltd (PSAA) – responsible for the procurement of audit firms and contract management.

- 2.2 In his report, Sir Tony Redmond concludes that: “The underlying feature of the existing framework is the absence of a body to coordinate all stages of the audit process”

Redmond Recommendation

- 2.3 To address this, Sir Tony recommended the creation of a new body, the Office of Local Audit and Regulation (OLAR), to manage, oversee, and regulate local audit with the following key responsibilities:

- procurement of local audit contracts;
- producing annual reports summarising the state of local audit;
- management of local audit contracts;
- monitoring and review of local audit performance;
- determining the code of local audit practice; and
- regulating the local audit sector.

- 2.4 It was proposed that the current roles and responsibilities relating to local audit would transfer to OLAR where they are currently discharged by the:
- Public Sector Audit Appointments (PSAA);
 - Institute of Chartered Accountants in England and Wales (ICAEW);
 - Finance Reporting Council; and
 - The Comptroller and Auditor General (C&AG at the NAO).

Government Response and Proposals

- 2.5 The Government, in response, have in turn consulted and are not proposing to create the Office of Local Audit and Regulation, but instead creating a “unit” within a new organisation called the “Audit, Reporting and Governance Authority” (ARGA) which in turn will replace the Finance Reporting Council (FRC) and will sit in the Department for Business, Energy and Industrial Strategy (BEIS), with the Liaison Committee overseeing the system until ARGA’s start in 2023.
- 2.6 There is a concern that this may further complicate Local Government accounts with a continued focus on asset valuations and quantification of liabilities for accounting purposes, that impact on the financial statements but do not impact on the true ‘bottom line’ financial position or in turn the local tax payer.

3 Audit Procurement

- 3.1 At the time of the 2017 procurement process led by PSAA Ltd, there were nine firms registered with ICAEW to undertake local audit. Of these, one firm chose not to bid and a second firm was excluded on the basis it was too small to be able to compete.
- 3.2 The tender process was on the basis of an assessment split 50:50 between price and quality.
- 3.3 Five firms were appointed to supply services to local government. A further firm was appointed to a sixth contract lot intended to provide additional capacity in the market. However, subsequent audit firm mergers mean this firm no longer exists.
- 3.4 The next round of audit procurements are due to take place and the PSAA Ltd are consulting on a prospectus outlining the approach to the procurement of auditors commencing from 2023/24.

4 Audit Delivery

- 4.1 The Redmond report identified a number of points about the services provided to local authorities by the five firms appointed as suppliers. These include, but are not limited to:
 - a) concerns about the availability of sufficient audit staff with the right knowledge;
 - b) skills and experience to undertake local authority audit;
 - c) opportunities for engagement with the senior audit staff (for example the contact with the Key Audit Partner);
 - d) the focus of audit work on specific elements of the financial statements;
 - e) working with internal audit, and
 - f) communication difficulties between the respective teams.
- 4.2 Underpinning this was a concern that the current level of audit fees does not adequately support the work required to complete an audit to the appropriate quality standards. This is evidenced by the extent to which requests for fee variations have increased in both number and value. Since 2015, audit fees paid by councils have reduced by over 42%. Audit firms are now raising concerns about the sustainability of these fees, particularly given the trend of increasing fees in the corporate sector. In addition there have been additional expectations regarding the scope of the audits around valuations, assumptions and estimates that have been driven by the private sector accounting regulations and of concern to the FRC and therefore auditors.
- 4.3 To address these concerns, the review made a number of recommendations:
 - the current fee structure for local audit be revised to ensure that adequate resources are deployed to meet the full extent of local audit requirements;
 - that quality be consistent with the highest standards of audit within the revised fee structure. In cases where there are serious or persistent

breaches of expected quality standards, OLAR has the scope to apply proportionate sanctions;

- all auditors engaged in local audit be provided with the requisite skills and training to audit a local authority irrespective of seniority;
- statute be revised so that audit firms with the requisite capacity, skills and experience are not excluded from bidding for local audit work;
- External Audit recognises that Internal Audit work can be a key support in appropriate circumstances where consistent with the Code of Audit Practice; and
- the deadline for publishing audited local authority accounts be revisited with a view to extending it to 30 September from 31 July each year.

Government Response and Procurement Proposals

- 4.4 The MHCLG has responded to the pressure on fees and made £15m available nationally to councils to support the increase in fees associated with new requirements on auditors included in the 2020 Code of Audit Practice and to support councils to develop standardised statements of service information and costs, to improve readability and transparency.
- 4.5 The reduction of fees coupled with tighter deadlines which resulted in the commissioning of the Redmond review has resulted in a change of approach from PSAA Ltd.
- 4.6 PSAA Ltd are proposing that the reprocurement will take place from the 2023/24 financial year and it is proposed that contracts will be let to a wider group of suppliers for a period of 5 years with an option to extend for a further 2 years. The procurement is intended to create sustainability and resilience in the audit market that will give assurance to local authorities. It is proposed to evaluate the tenders on 80% quality and 20% price (up from 50:50 under the previous procurement) and have a social value weighting of 4% (Manchester City Council employs a 20% social value weighting).

5 The Accounts

- 5.1 The review acknowledges the status of the annual statement of accounts as an important part of a Council's accountability and governance framework. There is a recognition that local taxpayers should be both interested in, and able to understand, the way in which the Council spends its money, including knowing the performance outcomes that are being achieved. The rights of the public to inspect the accounts are also recognised as important.
- 5.2 However, the report also notes the complexity of local government accounts. This complexity arises partly because of the requirements of the CIPFA Code of Practice for Local Authority Accounting (the Code) which effectively takes the corporate sector financial reporting framework and adapts it for the sector, including for specific statutory requirements that override the standards, or require additional disclosures to be made in the accounts.
- 5.3 The consequence of this is that council accounts are often much longer than a private sector body. Redmond concludes that the "current statutory accounts

prepared by local authorities are considered to be impenetrable to the public”.

5.4 The recommendations in the report include:

- CIPFA/LASAAC be required to review the statutory accounts, in the light of the new requirement to prepare the standardised statement, to determine whether there is scope to simplify the presentation of local authority accounts by removing disclosures that may no longer be considered to be necessary;
- a standardised statement of service information and costs be prepared by each authority and be compared with the budget agreed to support the council tax/precept/levy and presented alongside the statutory accounts;
- the standardised statement should be subject to external audit; and
- the optimum means of communicating such information to council taxpayers/service users be considered by each local authority to ensure access for all sections of the communities.

5.5 It is likely that there will be a need to include a simplified statement to the accounts, as an additional section rather than the simplified statement replacing the existing form, which itself will have to be audited. Whilst this will give a more accessible version of the accounts to the lay reader, it will result in an increase in the size of the accounts and subsequent audit.

6 Wider Governance Matters

- 6.1 Local authorities are required to have an Audit Committee. Amongst the key elements of the terms of reference is the requirement to receive external and internal audit plans and reports.
- 6.2 Audit Committees are sub-committees of Full Council and membership of the committee tends to follow the political balance of the Council although this is not always the case.
- 6.3 The Redmond review reports that: “Elected members may or may not have relevant skills, expertise or background to fulfil the role of a member of an Audit Committee” To address this, some 40% of councils, including Manchester City Council, have appointed one or more independent members.
- 6.4 The report also concluded that the scope of audit committees in local government varies significantly. The report notes that not all committees cover all of the areas identified in CIPFA’s 2013 report “Position Statement and Supporting Guidance on Audit Committees”. Redmond draws specific attention to the fact that many committees have only minimal or no consideration of matters related to partnership governance and Value for Money. Manchester City Council’s Audit Committee is compliant with best practice.
- 6.5 Whilst the report does not include any specific recommendations in this respect, Councils are nevertheless, encouraged to review the Terms of Reference for Audit Committee to ensure all the required areas are covered

and how this can be demonstrated.

- 6.6 External Auditors tend to report to Audit Committee. The Chair of the Committee then determines if there are matters raised by the auditor which ought to be referred to or considered by Full Council. Whilst the auditor does have a right to report directly to Full Council, this tends not to be the normal course of reporting. Whilst this is generally considered to be appropriate by councils, there is evidence that some significant matters reported by auditors, such as qualified VFM conclusions, have not been reported on to Full Council. This gives rise to a risk that significant issues in relation to governance or financial resilience are not being brought to the attention of all members.
- 6.7 To address this, Redmond recommends that:
- the external auditor be required to present an Annual Audit Report to the first Full Council meeting after 30 September each year, irrespective of whether the accounts have been certified; OLAR to decide the framework for this report;
 - an annual report be submitted to Full Council by the external auditor;
 - consideration be given to the appointment of at least one independent member, suitably qualified, to the Audit Committee; and
 - formalising the facility for the CEO, Monitoring Officer and Chief Financial Officer (CFO) to meet with the Key Audit Partner at least annually.

7 Recommendations

- 7.1 The Audit Committee are asked to note the report.

Manchester City Council Audit Committee Workprogramme 2021/22 (Draft for Audit Committee Comment)

Month	Key Items	Owner
27 July	Draft Statement of Accounts Finance Outturn Reports Treasury Management Outturn Report Outstanding Audit Recommendations Q1 External Audit Update Report Risk Review Item: Update on the Redmond Review	Finance Finance Finance Audit and Risk External Audit Finance
28 September	Review of Internal Audit and Quality Assurance Improvement Programme (QAIP) Annual Review of Audit Committee Terms of Reference External Audit Update Report Risk Review Item: Health and Care / Adults Services Assurance Annual Counter Fraud Report (Part B)	Audit and Risk Audit and Risk External Audit DASS Audit and Risk
19 October	Internal Audit Assurance Report Q2 Outstanding Audit Recommendations Q2 External Audit Update Report Letters from those charged with governance Risk Review Item: Prudential Code Review	Audit and Risk Audit and Risk External Audit Audit and Risk Finance
23 November	External Audit Completion Report Final Statement of Accounts Register of Significant Partnerships Update (6 month review) Treasury Management Interim Update Risk Review Item	External Audit Finance Commercial Governance Finance Audit and Risk
14 December	No meeting – use for Annual Training Event	
18 January	Internal Audit Assurance Report Q3	Audit and Risk

Month	Key Items	Owner
	Outstanding Audit Recommendations Q3 Audit Strategy Memorandum / External Audit Plan Risk Review Item	Audit and Risk External Audit Audit and Risk
15 March	Accounting Concepts and Policies, Critical Accounting Judgements and Key Sources of Estimation Uncertainty Annual Internal Audit Plan External Audit Update Report Risk Review Item	Finance Audit and Risk External Audit Audit and Risk

Manchester City Council Audit Committee Work Programme 2021/22 and Recommendations Monitor

Meeting Date 16 June 2021				
Draft Annual Governance Statement	Reform and Innovation: James Binks		To advise the processes followed to produce the AGS and obtain Audit Committee input to the draft statement. To consider and comment	2
Register of Significant Partnerships	Commercial Governance: DCE and City Treasurer Deputy City Treasurer Head of Commercial PMO	Carol Culley Tom Wilkinson Sarah Narici	To receive assurance over the process and outcome of work to maintain the Council's Register of Significant Partnerships. <u>To consider and comment</u>	2
Head of Audit and Risk Management Annual Opinion	Audit and Risk Tom Powell Richard Thomas		Assurance from the Head of Internal Audit and Risk Management Annual Opinion on the Council's systems of governance, risk management and internal control as well as a summary of audit work undertaken in the year. <u>To consider and comment</u>	
Risk and Resilience Strategy and Risk Register	Audit and Risk: Tom Powell Richard Thomas		Assurance over the Council's risk management and business continuity strategies and governance arrangements. To include the corporate risk profile as articulated in the latest refresh of the corporate risk register. <u>To consider and comment</u>	3

Meeting Date 27 July 2021				
Draft Statement of Accounts	Finance: DCE and City Treasurer Deputy City Treasurer Chief Accountant	Carol Culley Tom Wilkinson Karen Gilfoy	The unaudited 2019/20 Annual Accounts, signed by the Deputy Chief Executive and City Treasurer, including the narrative report. <u>To consider and comment</u>	3
Finance Outturn Reports	Finance: DCE and City Treasurer Deputy City Treasurer Chief Accountant	Carol Culley Tom Wilkinson Karen Gilfoy	To report on the capital and revenue outturn budget for 2020/21 as context for the annual statement of accounts <u>To consider and comment</u>	3
Treasury Management Outturn Report	Finance: DCE and City Treasurer Deputy City Treasurer Chief Accountant Treasury Manager	Carol Culley Tom Wilkinson Karen Gilfoy Tim Seagrave	To report on the Treasury Management activities of the Council 2020/21. <u>To consider and comment</u>	3
Outstanding Audit Recommendations	Audit and Risk: Tom Powell Richard Thomas	Head of Audit and Risk Deputy Head Audit & Risk	Assurance provided from management action to implement Internal Audit recommendations to the end of quarter one. <u>To consider and comment</u>	5
External Audit Update Report	External Audit: Mazars Audit Partner Audit Snr Manager	Karen Murray Alastair Newall	To provide an update in respect of the external audit of the Council and <u>To consider and comment</u>	4
Risk Review Item: Update on the Redmond Review	Finance: DCE and City Treasurer Deputy City Treasurer Chief Accountant	Carol Culley Tom Wilkinson Karen Gilfoy	Update report on the Redmond Review and implications for the City Council <u>To consider and comment</u>	3

Meeting Date 28 September 2021				
Review of Internal Audit and Quality Assurance Improvement Programme (QAIP)	Audit and Risk: Carol Culley Tom Powell Richard Thomas	DCE and City Treasurer Head of Audit and Risk Deputy Head Audit & Risk	To consider the assurance provided by organisational arrangements for the delivery of internal audit in line with legislation and Public Sector Internal Audit Standards. To include review of the Internal Audit Charter. To consider and comment	5
Annual Review of Audit Committee Terms of Reference	GSSU: Andrew Woods	Governance Team Leader	To review the Committee terms of reference and operation of the Committee. To propose changes (where required) for consideration at Council. <i>To consider and comment</i>	1
External Audit Update Report	External Audit: Mazars Audit Partner Audit Snr Manager	Karen Murray Alastair Newall	To provide an update in respect of the external audit of the Council and <i>To consider and comment</i>	4
Risk Review Item: Health and Care / Adults Services Assurance	Directorate of Adults: DASS DDASS	Bernie Enright Sarah Broad	To provide an update in respect of actions taken to strengthen governance, risk management and control across Adults Services, with a focus on actions taken to address risks noted in audit recommendations <i>To consider and comment</i>	5
Annual Counter Fraud Report (Part B)	Audit and Risk: Tom Powell Richard Thomas Helen Smith	Head of Audit and Risk Deputy Head of Audit & Risk Lead Auditor	For Part B Exclusion of Press of Public – as report identifies weaknesses in internal control, approach to fraud risk detection and investigation that is likely to increase the risk of crime being committed against the Council.	2

Meeting Date 19 October 2021				
Internal Audit Assurance Report	Audit and Risk: Tom Powell Richard Thomas	Head of Audit and Risk Deputy Head Audit & Risk	Assurance provided from internal audit activity and reports to the end of quarter two. <i>To consider and comment</i>	5
Outstanding Audit Recommendations	Audit and Risk: Tom Powell Richard Thomas	Head of Audit and Risk Deputy Head Audit & Risk	Assurance provided from management action to implement Internal Audit recommendations to the end of quarter two. <i>To consider and comment</i>	5
External Audit Update Report	External Audit: Mazars Audit Partner Audit Snr Manager	Karen Murray Alastair Newall	To provide an update in respect of the external audit of the Council and <i>To consider and comment</i>	4
Letters from those charged with governance	Audit and Risk: Tom Powell Richard Thomas	Head of Audit and Risk Deputy Head Audit & Risk	Proposed letters to the External Auditor in respect of financial accounting arrangements, the risks of fraud and compliance with laws and regulations. <i>To consider and comment in advance of signing by the Audit Committee Chair and the Deputy Chief Executive and City Treasurer.</i>	4
Risk Review Item: Prudential Code Review	Finance: DCE and City Treasurer Deputy City Treasurer Chief Accountant	Carol Culley Tom Wilkinson Karen Gilfoy	Update report on review of the Code <i>To consider and comment</i>	3

Meeting Date 23 November 2021				
External Audit Completion Report	External Audit: Mazars Audit Partner Audit Snr Manager	Karen Murray Alastair Newall	Report from the External Auditor on the overall findings and recommendations resulting from the audit of the 2020/21 accounts <i>To consider and comment</i>	3

Final Statement of Accounts	Finance: DCE and City Treasurer Deputy City Treasurer Chief Accountant	Carol Culley Tom Wilkinson Karen Gilfoy	To seek Audit Committee approval for the final Annual Accounts following external auditor review. Item to include confirmation of completion of: Letters / enquires for the Deputy Chief Executive and City Treasurer and Audit Committee Chair; and Letter of Representation <u>To approve</u>	3
Register of Significant Partnerships Update (6 month review)	Commercial Governance: DCE and City Treasurer Deputy City Treasurer Head of Commercial PMO	Carol Culley Tom Wilkinson Sarah Narici	To receive an in-year update over the process and outcome of work to maintain the Council's Register of Significant Partnerships. <u>To consider and comment</u>	2
Treasury Management Interim report	Finance: DCE and City Treasurer Deputy City Treasurer Chief Accountant Treasury Manager	Carol Culley Tom Wilkinson Karen Gilfoy Tim Seagrave	Update on Treasury Management activities of the Council during the first six months of 2020/21. <u>To consider and comment</u>	3
Risk Review Item	c/o Audit and Risk: Tom Powell Richard Thomas	Head of Audit and Risk Deputy Head Audit & Risk	Update reports from officers on areas of focus to be agreed by Committee arising from limited/no assurance Internal Audit reports, outstanding audit recommendations or management of risk. To consider and comment	2

Meeting Date 18 January 2022				
Internal Audit Assurance Report	Audit and Risk: Tom Powell Richard Thomas	Head of Audit and Risk Deputy Head Audit & Risk	Assurance provided from internal audit activity and reports to the end of quarter three. <i>To consider and comment</i>	5
Outstanding Audit Recommendations	Audit and Risk: Tom Powell Richard Thomas	Head of Audit and Risk Deputy Head Audit & Risk	Assurance provided from management action to implement Internal Audit recommendations to the end of quarter three. <i>To consider and comment</i>	5
Audit Strategy Memorandum / External Audit Plan	External Audit: Mazars Audit Partner Audit Snr Manager	Karen Murray Alastair Newall	Report of the Council's external auditors Mazars that summarises their audit approach, significant audit risks, areas of key judgements and details of the audit team for the 2022/23 audit <i>To consider and comment</i>	4
Risk Review Item	c/o Audit and Risk: Tom Powell Richard Thomas	Head of Audit and Risk Deputy Head Audit & Risk	Update reports from officers on areas of focus to be agreed by Committee arising from limited/no assurance Internal Audit reports, outstanding audit recommendations or management of risk. <i>To consider and comment</i>	2

Meeting Date 15 March 2022				
Accounting Concepts and Policies, Critical Accounting Judgements and Key Sources of Estimation Uncertainty	Finance: DCE and City Treasurer Deputy City Treasurer Chief Accountant	Carol Culley Tom Wilkinson Karen Gilfoy	To explain the accounting concepts and policies, critical accounting judgements and key sources of estimation uncertainty that will be used in preparing the accounts. <u>To consider and comment</u>	3
Annual Internal Audit Plan	Audit and Risk: Tom Powell Richard Thomas	Head of Audit and Risk Deputy Head Audit & Risk	To provide the Internal Audit Strategy and annual internal audit work plan for Audit Committee consideration in line with Public Sector Internal Audit Standards. <u>To review and approve</u>	5
External Audit Update Report	External Audit: Mazars Audit Partner Audit Snr Manager	Karen Murray Alastair Newall	To provide an update in respect of the external audit of the Council and <u>To consider and comment</u>	3
Risk Review Item	c/o Audit and Risk: Tom Powell Richard Thomas	Head of Audit and Risk Deputy Head Audit & Risk	Update reports from officers on areas of focus to be agreed by Committee arising from limited/no assurance Internal Audit reports, outstanding audit recommendations or management of risk. <u>To consider and comment</u>	2

Audit Committee Recommendations Monitor

Date	Item	Recommendation	Response	Contact Officer
15/06/21	AC/21/12	To request that an overview of the function, role and remit of the Commercial Board (Procurement, Contracts and Commissioning) is circulated to Audit Committee members for information.	Summary of key boards and terms of reference for the Commercial Board to be collated and shared with Audit Committee members. To be circulated to members of Audit Committee by end August 2021	Tom Powell Head of Audit and Risk Management
15/06/21	AC/21/16	To agree that a decisions monitor that sits alongside the committee's work programme shall in future be circulated to and track the progress of decisions and responses.	Monitor will be maintained alongside workprogramme Complete	Andrew Woods Governance Team Leader

Recommendations Monitor

Date	Item	Recommendation	Response	Contact Officer
16 March 2021	AC/21/09 Internal Audit Service Development Update	To provide an update on Outstanding Audit Recommendations.	Report submitted to July 2021 meeting	Head of Internal Audit and Risk Management

Audit Committee Terms of Reference: as per Constitution (Agreed by Council on 2 October 2019)

Purpose

1. The main purpose of the Committee is to obtain assurance over the Council's corporate governance and risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements.

Governance

2. Review the Council's corporate governance arrangements including consideration of the Code of Corporate Governance.
 - Review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.
 - Review the governance and assurance arrangements for significant partnerships or collaborations, including the Register of Significant Partnerships.
 - To consider the effectiveness of the Council's risk management arrangements including reviewing the Risk Management Strategy and Policy; and the Corporate Risk Register.
 - Review the assessment of fraud risks and potential harm to the Council from fraud and corruption including oversight of key anti-fraud policies and monitoring of the counter-fraud strategy.
 - To make recommendations to the Chief Finance Officer and Monitoring Officer in respect of Part 5 of the Council's Constitution (Financial Regulations).

Financial Reporting

3. Review and approval of the annual Statement of Accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.
 - Consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts and monitor the Council's response to individual issues of concern identified.
 - Approve the Council's Statement of Accounts and associated governance and accounting policy documents in accordance with the Accounts and Audit Regulations 2015.

External Audit

4. Support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by Public Sector Audit Appointments (PSAA).
 - Consider the external auditor's annual audit plan, annual audit letter, relevant reports and the report to those charged with governance.
 - Advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

Internal Audit

5. Oversee and provide assurance to the Council on the provision of an effective internal audit service and the main issues arising from Internal Audit work. In particular, undertake the duties of the Board as set out in Public Sector Internal Audit Standards (PSIAS) as follows:
 - Approve the Internal Audit Charter
 - Review and approve the risk-based internal audit plan, including internal audit's resource requirements, including any significant changes, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
 - Receive confirmation from the Head of Audit and Risk Management with regard to the organisational independence of the internal audit activity and make appropriate enquiries of management and the Head of Audit and Risk Management to determine whether there are inappropriate scope or resource limitations.
 - Provide free and unfettered access to the Audit Committee Chair for the Head of Audit and Risk Management, including the opportunity for a private meeting with the Committee.
 - Consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the Head of Audit and Risk Management. To approve and periodically review safeguards to limit such impairments.
 - Receive the results of the Quality Assurance and Improvement Plan annually and the external quality assessment of internal audit that takes place at least once every five years.
 - Receive communications from the Head of Audit and Risk Management on the internal audit activity's purpose, authority, responsibility and performance relative to its plan. To include significant risk exposures and control issues,

including fraud risks, governance issues and other matters needed or requested by senior management and the Committee.

- Consider the Head of Audit and Risk Management's annual opinion and report.
- Seek assurance on the adequacy of management response to internal audit advice, findings and recommendations in the form of implementation of agreed action plans.
- To monitor the implementation and outcomes of the Council's internal audit programme and where required, to review summary and individual audit reports with significant implications for financial management and internal control.

Treasury Management

6. To monitor the performance of the Treasury Management function including:
- 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; and
 - approving the selection of external service providers and agreeing terms of appointment.

Additional role of Audit Committee

7. To overview the Council's whistleblowing policy.

Delegation: In exercising the above powers and responsibilities, the Committee shall have delegated power to make decisions and act on behalf of the Council.

Note: The Committee may itself determine not to exercise its delegated powers and instead make recommendations to the Council.

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