Public Document Pack

MANCHESTER
CITY COUNCIL

Joanne Roney OBE
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PO Box 532, Town Hall
Extension, Manchester
M60 2LA

Thursday, 23 February 2023

Dear Councillor / Honorary Alderman,

Meeting of the Council – Friday, 3rd March, 2023

You are summoned to attend a meeting of the Council which will be held at 10.00 am on Friday, 3rd March, 2023, in The Council Chamber, Level 2, Town Hall Extension.

1. The Lord Mayor's Announcements and Special Business

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

3. Minutes 5 - 22
To submit for approval the minutes of the meeting held on 1 February 2023.

4. The Council's Revenue Budget and Capital Budget 2023/24

4a. Proceedings of the Art Galleries 23 - 24
To approve the proceedings of the Art Galleries Committee on 15 February 2023 in relation to the Art Galleries Budget 2023/24.

4b. Part of the proceedings of Executive on 15 February 2023 relating to the budget for 2023/24 25 - 58
To approve the part proceedings of the Executive on 15 February 2023 which contain details of the following:

- Revenue Budget Monitoring Update to the end of December 2022
- Capital Programme Budget Monitoring 2022/23
- Medium Term Financial Strategy and 2023/24 Revenue Budget
- Corporate Core Budget 2023/24
- Children and Education Services Budget 2023/24
- Public Health Budget 2023-26

- Adult Social Care Budget 2023/24
- Neighbourhoods Directorate Budget 2023/24
- Zero Carbon 2023/24 Budget Report
- Homelessness Directorate 2023/24 Budget
- Growth and Development Directorate Budget 2023/24
- Housing Revenue Account 2023/24 to 2025/26
- Schools Budget 2023/24
- Capital Strategy and Budget 2023/24 to 2025/26
- Treasury Management Strategy Statement 2023/24, including Borrowing Limits and Annual Investment Strategy
- Budget Equality and Poverty Impact Assessments * considered by Resources and Governance Scrutiny Committee
- Budget consultation results 2023/24 * considered by Resources and Governance Scrutiny Committee

Members of the Council are requested to take account of the above reports which were considered by Executive on 15 February 2023 and Resources and Governance Scrutiny Committee on 27 February 2023

The Council Budget Paper pack is available on the Council's website (link address below) and paper copy - on request.

Weblink address:
https://democracy.manchester.gov.uk/ieListDocuments.aspx?CId=135&MId=4049

In considering the above items, to consider:

Yours faithfully,

Joanne Roney OBE
Chief Executive

Information about the Council

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

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

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

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

Members of the Council

Councillors:-

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

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

Further Information

For help, advice and information about this meeting please contact the meeting Clerk:
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Email: andrew.woods@manchester.gov.uk

This agenda was issued on **Thursday, 23 February 2023** by the Governance and Scrutiny Support Unit, Manchester City Council, Level 2, Town Hall Extension (Library Walk Elevation), Manchester M60 2LA

Council

Minutes of the meeting held on Wednesday, 1 February 2023

Present:

The Right Worshipful, the Lord Mayor Councillor Ludford – in the Chair

Councillors:
Y Dar, Abdullatif, Akbar, Azra Ali, Ahmed Ali, Nasrin Ali, Shaukat Ali, Alijah, Amin, Andrews, Appleby, Baker-Smith, Bano, Bayunu, Bell, Benham, Bridges, Butt, Chambers, Chohan, Connolly, Cooley, Craig, Curley, M Dar, Doswell, Evans, Flanagan, Foley, Gartside, Good, Grimshaw, Hacking, Hassan, Hewitson, Hilal, Hitchen, Holt, Hughes, Hussain, Igbon, Ilyas, Iqbal, Johns, Johnson, T Judge, Kamal, Karney, Kirkpatrick, Lanchbury, Leech, J Lovecy, Lynch, Lyons, McHale, Midgley, Moran, Newman, Noor, Nunney, Ogunbambo, B Priest, H Priest, Rahman, Raikes, Rawlins, Rawson, Razaq, Reeves, Reid, Riasat, Richards, I Robinson, T Robinson, Rowles, Russell, Sadler, M Sharif Mahamed, Sheikh, Shilton Godwin, Simcock, Stanton, Stogia, Taylor, Wheeler, Whiston, White, Wills, Wilson and Wright

CC/23/1 The Lord Mayor's Announcements - Urgent Business

The Lord Mayor announced that she had agreed to the submission of the minutes of the Constitutional and Nomination Committee, held on 1 February 2023.

CC/23/2 The Lord Mayor's Special Business - The Lord Mayor's Special Business - New Year's Honours List

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

- **Dame Commander of the Order of the British Empire**
  - Professor Robina Shah Dame
- **Knight Bachelor**
  - Professor James Appleby
- **Commander of the Order of the British Empire**
  - Professor Linda Merrick
- **Officer of the Order of the British Empire**
  - Asrar Ul-Haq
- **Member of the Order of the British Empire –**
  - Elaine Bousefield
  - Wakkas Khan
  - Richard McAvoy
  - Elizabeth Scott

- **Medalist of the Order of the British Empire Medal**
    - Inspector Jim Jones
    - Liam Manton
    - Mark Smallwood
- **King's Ambulance Service Medal**
    - Salman Desai

CC/23/3 Lord Mayor's Special Business - We Love MCR Charity Rising Stars Fund

In recognition of the good work of the We Love Manchester Charity, the Lord Mayor welcomed Ged Carter from the charity, who introduced two recipients of the Rising Start Fund. Tyler Eckersall and Farhad Gohar addressed the Council to explain the positive impact the fund has made to their lives. Tyler Eckersall, who is planning to study music at university, performed a piece of music on the clarinet purchased from the funding he had received. Farhad Eckersall demonstrated the website he had designed to promote the Collyhurst and Moston Boxing Club, using the funding he had received.

The Lord Mayor thanked Ged, Tyler and Farhad for their attendance and thanked those involved with the I Love MCR Charity for the outstanding work in supporting Manchester residents.

CC/23/4 Minutes

Decision

The Minutes of the meeting held on 30 November 2022 were approved as a correct record and signed by the Lord Mayor.

CC/23/5 Notice of Motion - Standing up for Wythenshawe

Motion proposed and seconded:

Council notes:-

- Manchester City Council's Executive approved their ambitious plans for the transformation of Wythenshawe Civic Centre on 18 February. These plans have been described as an 'exciting and a 'once in a generation opportunity' by local people and reflect Manchester Labour's ambition for Wythenshawe.

- After campaigning from local Wythenshawe Labour Councillors and Mike Kane MP over many years, these plans have been brought forward in conjunction with local people, and will see:

    - A new cultural hub with a community cinema;
    - Job opportunities through office space and a new Enterprise Centre;
    - Over 1500 low carbon homes (including genuinely affordable homes);
    - A new food hall, supporting day and night-time businesses;

- A new civic square with top quality public realm;
- A new green transport hub; with EV charging and bike hire.

- Manchester Council with the support of Mike Kane MP submitted these plans to Government as part of the 'Levelling Up Fund'- as it met all of the publicised criteria

Council further notes:-

- This Council has had over £420million taken from its budgets since 2010, and across the country local Government has had £16 billion cut (which rises to over £40bn if you factor inflation)
- In the Summer Leadership contest, Prime Minister Rishi Sunak boasted about reversing Treasury formulas "that shoved all the funding into deprived urban areas"
- The Government did not support the Wythenshawe Civic bid, and like most Labour Cities in the UK did not receive funding in this round.

Council resolves:-

(1) That Manchester's Labour Council will always stand up for the residents of Wythenshawe and despite the Government's failure to back Wythenshawe Civic Centre the Labour Council will push ahead with its plans and seek a commitment that work will begin as soon as possible.
(2) To call on the Government to support the plans for Wythenshawe through other means to help Level Up our city.
(3) To call on the Government to fund local authorities fairly, so local councils have the resource to fund vital projects like this themselves.
(4) That Manchester's Labour Councillors will always stand up for Wythenshawe.

Councillor Johnson moved an amendment to the motion, which was seconded by Councillor Nunney:-

Council notes:-

- Manchester City Council's Executive approved their ambitious plans for the transformation of Wythenshawe Civic Centre on 18th February. These plans have been described as an 'exciting and a 'once in a generation opportunity' by local people and reflect ~~Manchester Labour's~~ the Council's ambition for Wythenshawe
- After campaigning from local Wythenshawe Labour Councillors and Mike Kane MP over many years, these plans have been brought forward in conjunction with local people, and will see:
    - A new cultural hub with a community cinema
    - Job opportunities through office space and a new Enterprise Centre
    - Over 1500 low carbon homes (including genuinely affordable homes)
    - A new food hall, supporting day and night-time businesses
    - A new civic square with top quality public realm

- A new green transport hub; with EV charging and bike hire

- Manchester Council with the support of Mike Kane MP submitted these plans to Government as part of the 'Levelling Up Fund'- as it met all of the publicised criteria

Council further notes:-

- This Council has had over £420million taken from its budgets since 2010, and across the country local Government has had £16 billion cut (which rises to over £40bn if you factor inflation)
- In the Summer Leadership ~~context~~ contest Prime Minister Rishi Sunak boasted about reversing Treasury formulas "that shoved all the funding into deprived urban areas"
- The Government did not support the Wythenshawe Civic bid, and like most Labour Cities in the UK did not receive funding in this round.

Council resolves:-

(1) That Manchester's Labour-led Council will always stand up for the residents of Wythenshawe and despite the Government's failure to back Wythenshawe Civic Centre the Labour Council will push ahead with its plans and seek a commitment that work will begin as soon as possible.
(2) To call on the Government to support the plans for Wythenshawe through other means to help Level Up our city.
(3) To call on the Government to fund local authorities fairly, so local ~~council's~~ councils have the resource to fund vital projects like this themselves.
(4) That Manchester's ~~Labour~~ Councillors will always stand up for Wythenshawe.

Resolution

The amendment to the motion was put to the Council and the Lord Mayor declared it lost.

The original motion was then put to the Council and the Lord Mayor declared it was carried unanimously.

Decisions

1. That Manchester's Labour Council will always stand up for the residents of Wythenshawe and despite the Government's failure to back Wythenshawe Civic Centre the Labour Council will push ahead with its plans and seek a commitment that work will begin as soon as possible.

2. To call on the Government to support the plans for Wythenshawe through other means to help Level Up our city.

3. To call on the Government to fund local authorities fairly, so local councils have the resource to fund vital projects like this themselves.

4. That Manchester’s Labour Councillors will always stand up for Wythenshawe.

CC/23/6 Notice of Motion - Attacks on Public Service Workers

Proposed and seconded:

Manchester Council sends support and solidarity to the Public Services Workers Rally in St Peters Square today.

Thirteen years of underfunding has forced nurses, ambulance drivers, teachers, and civil servants on to picket lines to defend and protect public services.

Rather than negotiating, the Government is rushing through an anti -strike bill that amounts to a full-frontal attack on working people and their trade unions.

Manchester's workers and families need a new Government which will enhance worker rights and invest in public services

This Council resolves to condemn these attacks.

Resolution

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

Decisions

1. Council sends support and solidarity to the Public Services Workers Rally in St Peters Square today.

2. The Council condemns the governments attacks on working people and their trade unions.

CC/23/7 Notice of Motion - Free School Meals

Proposed and seconded:

Over 42% of Manchester’s children are now living in poverty, according to the figures released in the Government statistics in 2021. The highest density of these residents live in the North and Central of the city, however there are other areas in the South where the residents face the same issues.

Free school meals should be available for all primary school children from Reception through to Year 11 and should not be restricted to Key stage 1 only, which is Reception, Year 1 and year 2. New analysis by Child Poverty Action Group (CPAG), based on free school meals, showed that children in poverty in England continue to be overlooked by government measures, with over 1 in 3 (800,000) children in poverty not qualifying for free school meals. These figures come as the cost-of-living crisis continues to worsen and cause hardship.

The government must not just stand and watch, this is the time change is needed. The Government must stop the eligibility test for free school meals and not put parents and children through the stigma of being poor.

Free school meals are only provided for those who are eligible, this eligibility is so minute that it leaves a huge gap to those children whose parents are on Universal credit and earn above the threshold of £616.67 per month. Children aged 7-16 are affected by this eligibility as a lot of these children belong to low-income families, whose earnings are over £616.67 per month threshold but the household is below average income.

We hear from Headteachers and school staff how children come into school unable to have a warm meal due to the low household incomes. All children should be given meals during the school day without any assessments of parental income. We must make sure each child has the nutrition required for them to be able to concentrate and work to their full potential at school. An empty stomach compromises the child’s learning ability, Children need nutritious warm meals, for the health, wellbeing and development, no child should have to go hungry.

Manchester City Council recognised the shortfall, during lockdown due to coronavirus and provided free school meals in the holidays. The Government had not stepped in quick enough, and the Council had already put in the provision to support the families through the most difficult time. The Council also supported children in vulnerable families known to the school who were outside the scope of free school meals but where an assessment had identified they required extra support in the holidays.

Parents are currently struggling with the cost of living; they are unable to source heating bills and will be worried about putting meals on the table. They will worry about using gas or electric cookers and ovens due to the cost of inflation of energy bills. There are hardworking parents out there having to visit food banks to put a meal on the table. It is heart breaking to see families in our city living through these times. As a Council we are working on this, we are asking all schools to have a named lead on poverty and how they can poverty proof the school day.

Greater Manchester poverty action group stated in August 2022 that the number of children in Relative poverty had increased. The statistics for children living in Manchester in poverty have gone from 35.4% 2015 up to 42% in 2021. Year after Year the children of this city have gone deeper into poverty. The government has failed these children since it has come into power, the number of households in poverty has risen and nothing has been done to address this. Now is the time the Government must expand the provision to free school meals for all children.

This Council resolves:-

(1) To ask the Leader of the Council to continue to provide support to the most vulnerable in our city.

(2) To request the Leader of the Council writes to Government to call for an extension of free school meals for all children and a review of eligibility criteria,

which is currently at £7,400 per annum, is undertaken, to ensure those in need do not miss out (such as 7–16-year-olds). The threshold is currently very low.

(3) To lobby government to extend the inflationary uplift to benefits in year not just next year, to help struggling families.

Resolution

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

Decisions

1. To ask the Leader of the Council to continue to provide support to the most vulnerable in our city.

2. To request the Leader of the Council writes to Government to call for an extension of free school meals for all children and a review of eligibility criteria, which is currently at £7,400 per annum, is undertaken, to ensure those in need do not miss out (such as 7–16-year-olds). The threshold is currently very low.

3. To lobby government to extend the inflationary uplift to benefits in year not just next year, to help struggling families.

CC/23/8 Notice and Motion - The Right to Strike and Protection of Workers' Rights

Proposed and seconded:

This Council recognises that the right of a worker to withdraw their labour is a fundamental and sacrosanct right which should not be undermined or diluted in any way.

This Council notes that this Conservative Government is seeking to undermine the right to strike by:

- Allowing the use of Agency staff during industrial disputes
- Introducing legislation to guarantee minimum levels of service during strike action.
- Allowing the increasing use of fire and rehire

This Council calls for the UK Government to:-

- Ban the use of Fire & Rehire by all employers in the UK
- Ensure that the Health & Safety Executive is properly staffed and funded so that they can undertake workplace inspections unannounced. This includes the reversal of over £100 million pounds in cuts.

- Support trade unions being allowed to use electronic voting for all elections and ballots including ballots for industrial action
- Support the right of all workers to work from home from Day 1 for anyone who wants it after appropriate induction training, where practical.

This Council requests Leader of the Council to write to all Greater Manchester MPs, urging them to oppose all attempts in Parliament to undermine the fundamental rights of workers, and those of their trade unions to fight for improved pay and conditions for their members.

Councillor Karney moved an amendment to the motion which was seconded by Councillor Rawson:-

Take out the "Council requests the Leader of the Council to write......" and replace with

"The Council condemns the Lib Dem / Tory Government for cuts to local government funding that led to a historic loss of 750,000 council jobs.
The scale of the job cuts led to severe service cuts that has damaged the lives of residents particularly in our city in areas as varied as Withington and Woodhouse Park and Hulme and Harpurhey.

The Council condemns the Lib Dem /Tory Government for running down the Health and Safety Executive.

The Lib Dem Business Secretary Vince Cable set up the Reducing Regulations Committee in June 2010 whose purpose was "to bring to an end, excessive employment regulations that are stifling business growth".

Resolution

The amendment to the motion was put to the Council and the Lord Mayor declared it carried. The amended motion then became the substantive motion.

The substantive motion was then put to the Council and the Lord Mayor declared it carried.

Decisions

1. This Council calls for the UK Government to:-

   - Ban the use of Fire & Rehire by all employers in the UK.
   - Ensure that the Health & Safety Executive is properly staffed and funded so that they can undertake workplace inspections unannounced. This includes the reversal of over £100 million pounds in cuts.
   - Support trade unions being allowed to use electronic voting for all elections and ballots including ballots for industrial action.
   - Support the right of all workers to work from home from Day 1 for anyone who wants it after appropriate induction training, where practical.

2. The Council condemns the Lib Dem / Tory Government for cuts to local government funding that led to a historic loss of 750,000 council jobs.

3. The Council condemns the Lib Dem /Tory Government for running down the Health and Safety Executive.

CC/23/9 Notice of Motion - Insourcing First Motion - Manchester City Council

This Council notes:-

- All political parties represented on this Council are committed to democratic public services, support the principle of reversing the trend of providing Council services indirectly through outsourcing, and are committed to reversing this policy.
- Multiple public polls that show that the UK public support public ownership.
- Councils across the country spend hundreds of millions of pounds buying in essential goods, services and expertise from the private sector each year.
- The Public Services (Social Value) Act was introduced in 2012. It provides a legal basis for public authorities to look for wider social, economic and environmental benefits when undertaking procurement exercises.
- Evidence shows that insourcing public services can deliver lower costs, more efficiency, a public sector ethos, economies of scale and an enhanced level of democratic accountability to local residents.

The Council further notes:-

- That a number of high value outsourced contracts for Manchester City Council are due to expire in the next few months.
- The council has received numerous complaints about some of these contracts from the workforce and their union, as well as residents in receipt of services.
- A report by Unite the union highlights how contracts are being badly managed, resulting in a poor service for residents, mistreatment of the workforce and unacceptable waste and expenditure for the council.
- We have a major opportunity to rebuild the council’s capacity to deliver services in-house, saving money, improving services for residents and raising terms and conditions for staff.

This Council believes:-

- That residents are more likely to trust local councillors to take decisions on their behalf over and above private companies.
- That public service workers and their trade unions support the insourcing of public services.
- That investing in strengthening the council’s capacity, skills and ability to deliver services in-house will make the council more sustainable, innovative and effective for the long term.

- That residents supporting their local councils to run services and redistribute wealth, will elect a national government willing to provide the financial resources to catalyse new social contracts and make public services local.

This Council therefore resolves to call on its Executive to:-
(1) Run an urgent investigation into all outsourced contracts through the relevant scrutiny committee for the council.
(2) Develop and implement a full business plan for re-insourcing the relevant contracts.
(3) Immediately halt plans to commission the delivery of upcoming environmental retrofitting contracts and instead rebuild its direct labour organisation to deliver that work.
(4) Develop and introduce an ‘Insourcing First’ policy that makes an assumption that all local authority services should be delivered in-house by the council, unless there are strong countervailing reasons not to, (e.g., the need for independence to prevent a conflict of interest or where local companies or the third sector are recognised as being better placed to provide the service that Manchester residents deserve).
(5) Develop and introduce strong standards for tendering, bid evaluation and contract management for any outsourced contracts that are made with the council which evidences why this contract cannot be insourced as default and why any expiring contracts should not result in insourcing.

Councillor Akbar moved an amendment to the motion, which was seconded by Councillor Wheeler and accepted by Councillor Bayunu (proposer). In accordance with Rule of Procedure 20.3, the amendment was incorporated into the motion.

The amended motion was as follows:

This Council notes:-

- All political parties represented on this Council are committed to democratic public services, support the principle of reversing the trend of providing Council services indirectly through outsourcing, and are committed to reversing this policy.
- Multiple public polls that show that the UK public support public ownership.
- Councils across the country spend hundreds of millions of pounds buying in essential goods, services and expertise from the private sector each year.
- The Public Services (Social Value) Act was introduced in 2012. It provides a legal basis for public authorities to look for wider social, economic and environmental benefits when undertaking procurement exercises.
- Evidence shows that insourcing public services can deliver lower costs, more efficiency, a public sector ethos, economies of scale and an enhanced level of democratic accountability to local residents.

The Council further notes:-

- Manchester’s Labour Council has a strong history and commitment to Direct Services. It had the largest Direct Works Department in the country that built thousands of council houses and has started once again to build its own homes through This City

- That the city's Arms-Length Management Organisation for Housing, Northwards, has been brought back in house following extensive, positive consultation with residents and staff.
- That a review of expanding capacity to have the option to take further services back in house is already on the work programme of the Resources & Governance Committee.
- That government's "Best Value" legislation continues to frustrate local authorities in their work to enact the democratic demands of those they represent, and that the current guidance by central government is not fit for purpose.
- Manchester City Council has had its budget cut by over £420Million since 2010. Extensive cuts to council funding under both the Liberal Democrat-Conservative Coalition and subsequent Conservative governments have deeply harmed the ability of councils to build resilience, innovate and deliver.

This Council believes:-

- That residents are more likely to trust local councillors to take decisions on their behalf over and above private companies.
- That public service workers and their trade unions support the insourcing of public services.
- That investing in strengthening the council's capacity, skills and ability to deliver services in-house will make the council more sustainable, innovative and effective for the long term.
- That residents supporting their local councils to run services and redistribute wealth, will elect a national government willing to provide the financial resources to catalyse new social contracts and make public services local.

This Council therefore resolves to call on its Executive to:-

- To continue to work in active partnership with all relevant trade unions to ensure staff who provide services in Manchester are listened to and valued, whichever management structure they currently work under.
- To write to the Secretary of State calling for a wholescale review of the "Best Value" legislation to give councils the freedom to respond to the democratic demands of their own citizens.
- To continue to work with partners including the Association for Public Service Excellence, of which Manchester City Council is a founding member, to develop strategies for greater democratic control of services wherever possible to deliver better results for citizens.
- To continue to begin with insourcing as the default option for services with clear guidance to the policy development teams within the council on this priority.
- To continue to call out the unfair and damaging cuts to local government funding by successive Governments since 2010.

Resolution

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

Decisions

1. To continue to work in active partnership with all relevant trade unions to ensure staff who provide services in Manchester are listened to and valued, whichever management structure they currently work under.

2. To write to the Secretary of State calling for a wholescale review of the “Best Value” legislation to give councils the freedom to respond to the democratic demands of their own citizens.

3. To continue to work with partners including the Association for Public Service Excellence, of which Manchester City Council is a founding member, to develop strategies for greater democratic control of services wherever possible to deliver better results for citizens.

4. To continue to begin with insourcing as the default option for services with clear guidance to the policy development teams within the council on this priority.

5. To continue to call out the unfair and damaging cuts to local government funding by successive Governments since 2010.

CC/23/10 Proceedings of the Executive

The proceedings of the Executive on 14 December 2022 and 18 January 2023 were submitted. The Council was asked to give particular consideration to the following recommendations:-

> **Exe/23/10 Large Scale Renewable Energy Generation - Solar Farm Purchase (Part B)**
> Recommend to Council approval of a capital budget increase of a maximum of £50m funded by borrowing on an invest to save basis, noting that the purchase will only progress if the Council is successful in its submission and it can be demonstrated that there are sufficient revenue savings to fund the capital financing costs.

Decisions.

1. To receive the minutes submitted.

2. The Council approves a capital budget increase of a maximum of £50m, funded by borrowing on an invest to save basis, noting that the purchase will only progress, if the Council is successful in its submission and it can be demonstrated that there are sufficient revenue savings to fund the capital financing costs.

CC/23/11 Questions to Executive Members and Others under Procedural Rule 23

Councillor Rawlins responded to a question from Councillor Irene Robinson regarding road gully clearing in Ancoats in particular, Old Mill Street and Bradford Road.
Councillor White responded to a question from Councillor Irene Robinson regarding the impact of building development work on pavement and cycle lanes along Great Ancoats Street.

Councillor Rawlins responded to a question from Councillor Nunney regarding plans to prevent flooding on roads and paths in Woodhouse Park.

Councillor Igbon responded to a question from Councillor Nunney regarding the acquisition of 200 new litterbins for the city.

Councillor Rahman responded to a question from Councillor Leech regarding accessing crime statistics.

Councillor Rawlins responded to a question from Councillor Leech regarding a consultation on a proposal to extend the Christie extended parking scheme.

Councillor Craig responded to a question from Councillor Leech regarding discussions on the proposed location of a vent shaft as part of the HS2 development on Mersey Meadows, its impact on the local environment, flood storage capacity and site access.

Councillor Igbon responded to a question from Councillor Leech regarding the Council's programme for the removal of fallen leaves.

Councillor Craig responded to a question from Councillor Johnson regarding the circulation to all registered voters in Manchester of a paper version of the new regulations on Voter ID.

Councillor Craig responded to a question from Councillor Johnson regarding public speaker arrangements for scrutiny meetings.

Councillor Rahman responded to a question from Councillor Johnson regarding measures to ensure the safety of trans people in Manchester.

Councillor Rawlins responded to a question from Councillor Johnson regarding resident's concerns on airport related parking around Woodhouse Park and the proposed response from Manchester Airport Group.

CC/23/12 Scrutiny Committees

The minutes of the following Scrutiny Committee meetings were submitted:

- Communities an Equalities – 6 December 2022 and 10 January 2023
- Resources and Governance – 6 December 2022 and 10 January 2023

- Health – 7 December 2022 and 11 January 2023
- Children and Young People – 7 December 2022 and 11 January 2023
- Environment and Climate Change – 8 December 2022 and 12 January 2023
- Economy – 8 December 2022 and 12 January 2023

Decision
To receive those minutes submitted.

CC/23/13 Proceedings of Committees

The minutes of the following meetings were submitted:

- Audit Committee – 29 November 2022. The Council was asked to give particular consideration to the following recommendations:-

  AC/22/49 Code of Corporate Governance

  To recommend to the Council that responsibility for approval of the Code of Corporate Governance is delegated to the Audit Committee and in doing so that Council:

  - Agrees changes to the delegations to the Audit Committee set out in the Council's Constitution, so that approval of the Code of Corporate Governance is the responsibility of Audit Committee.
  - Agrees to delete the reference to the Code of Corporate Governance from the Council's Policy Framework at Article 4 of the Council's Constitution; and
  - Removes Section G of Part 6 ("Manchester City Council - Code of Corporate Governance") from the Council's Constitution.

- Licensing Committee - 5 December 2022
- Planning and Highways Committee – 15 December 2022 and 19 January 2023
- Health and Wellbeing Board – 25 January 2023
- Constitutional and Nomination Committee – 1 February 2023

The Council was asked, to give particular consideration to, the following recommendations from the minutes of the Constitution and Nomination Committee:

To approve the amendments to committee memberships, as follows:

Committee	Member to be added	Member to be removed
Economy Scrutiny		Councillor Bell
Children and Young People Scrutiny	Councillor Bell	
Planning and Highways	Councillor Sadler	Councillor Stogia

Employee Appeals	Councillor Connolly	
Audit	Councillor Stogia	

To appoint Yacob Yonis as a Co-opted Member of the Children and Young People Scrutiny Committee as new Parent Governor Representative Co-opted Member. The appointment is for a two-year period with effect from 3 February 2023.

To note and agree changes to the membership and roles of the Health and Wellbeing Board as follows:

- The Leader of the Council will not chair the Health and Wellbeing Board and will chair the Manchester Partnership Board when it becomes a formal sub-committee of the Greater Manchester Integrated Care Board.
- To agree that the Executive Member (Healthy Manchester and Social Care), to assume the Chair of the Health and Wellbeing Board.
- To appoint the Deputy Executive Member (Healthy Manchester and Social Care) to the Health and Wellbeing Board as a member.
- To note that Bill McCarthy is the Chair of Greater Manchester Mental Health Trust and will become a member, following the retirement of Rupert Nichols.
- To note that Tom Hinchcliffe is the permanent Deputy Place Based Lead (Manchester), NHS Greater Manchester Integrated Care and will become a member of the Health and Wellbeing Board.

The membership of the Health and Wellbeing Board will be as follows:

Manchester City Council	-Leader -Executive Member for Healthy Manchester and Social Care (Chair) -Executive Member for Early Years, Children and Young People -Deputy Executive Member (Healthy Manchester and Social Care)
Manchester City Council	Director of Public Health
Manchester City Council	Director of Adult Social Care
Manchester City Council	Director of Children's Services
Manchester NHS Foundation Trust	Chair
Greater Manchester NHS Mental Health Trust	Chair
Manchester Local Care Organisation	Chief Executive
NHS Greater Manchester Integrated Care	Place Lead/Deputy Place Based Lead
Manchester Healthwatch	Chair
Manchester VCSE	Chief Executive, Manchester Alliance Community Care

Manchester GP Board	Three representatives covering North, Central and South Manchester

Decisions

1. To receive those minutes submitted.

2. To agree that responsibility for approval of the Code of Corporate Governance is delegated to the Audit Committee.

3. To agree the changes to the delegations to the Audit Committee, set out in the Council's Constitution, so that approval of the Code of Corporate Governance is made the responsibility of Audit Committee.

4. To agree to delete the reference to the Code of Corporate Governance from the Council's Policy Framework at Article 4 of the Council's Constitution.

5. To agree the removal of Section G of Part 6 ("Manchester City Council - Code of Corporate Governance") from the Council's Constitution.

6. To approve the amendments to committee memberships, as follows:

Committee	Member to be added	Member to be removed
Economy Scrutiny		Councillor Bell
Children and Young People Scrutiny	Councillor Bell	
Planning and Highways	Councillor Sadler	Councillor Stogia
Employee Appeals	Councillor Connolly	
Audit	Councillor Stogia	

7. To agree to appoint Yacob Yonis as a Co-opted Member of the Children and Young People Scrutiny Committee as new Parent Governor Representative Co-opted Member. The appointment is for a two-year period with effect from 3 February 2023.

8. To agree the changes to the membership and roles of the Health and Wellbeing Board as follows:

- The Leader of the Council will not chair the Health and Wellbeing Board and will chair the Manchester Partnership Board when it becomes a formal sub-committee of the Greater Manchester Integrated Care Board.
- To agree that the Executive Member (Healthy Manchester and Social Care), to assume the Chair of the Health and Wellbeing Board.
- To appoint the Deputy Executive Member (Healthy Manchester and Social Care) to the Health and Wellbeing Board as a member.
- To note that Bill McCarthy is the Chair of Greater Manchester Mental Health Trust and will become a member, following the retirement of Rupert Nichols.

- To note that Tom Hinchcliffe is the permanent Deputy Place Based Lead (Manchester), NHS Greater Manchester Integrated Care and will become a member of the Health and Wellbeing Board.

9. To agree the membership of the Health and Wellbeing Board, as follows:

Manchester City Council	-Leader -Executive Member for Healthy Manchester and Social Care (Chair) -Executive Member for Early Years, Children and Young People -Deputy Executive Member (Healthy Manchester and Social Care)
Manchester City Council	Director of Public Health
Manchester City Council	Director of Adult Social Care
Manchester City Council	Director of Children's Services
Manchester NHS Foundation Trust	Chair
Greater Manchester NHS Mental Health Trust	Chair
Manchester Local Care Organisation	Chief Executive
NHS Greater Manchester Integrated Care	Place Lead/Deputy Place Based Lead
Manchester Healthwatch	Chair
Manchester VCSE	Chief Executive, Manchester Alliance Community Care
Manchester GP Board	Three representatives covering North, Central and South Manchester

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Art Galleries Committee

Minutes of a meeting held on 15 February 2023

Present:
Councillor Rahman – In the Chair
Councillors Akbar, Bridges, Hacking, Johnson, Igbon, Midgley, Rawlins, T Robinson and White

Apologies:
Councillor Craig

AG/23/01 Minutes

Decision

To approve as a correct record the minutes of the meeting held on 16 February 2022.

AG/23/02 Manchester City Galleries' report and Revenue Budget 2023/24

The Committee considered a joint report of the Head of Libraries and the Deputy Chief Executive and City Treasurer that Manchester City Galleries' providing an overview of the performance during 2022. The report also provided an outline of the plan to deliver the vision for the service in 2023/24, within the context of the strategic plan, and presented a draft revenue budget for 2032/24 for the approval of the Art Galleries Committee.

The report set out a proposed budget for 2023/24, which the Committee was recommended to endorse.

Expenditure	Proposed revenue budget 2023/24 £000's
Staffing	2,986
Premises	98
Transport	60
Supplies and Services	780
Internal charges	23
Total Gross Budget	3,947
Income	
MCC cash limit	2,430
ACE National Portfolio Organisation (NPO)	520
Art Galleries Trust (fundraising)	362
Earned income	530
Internal recharge (OTH Project)	105
Total Net Budget	3,947

The Committee viewed a short presentation video on the Lion's Den (Clore Art Studio) scheme held within Manchester Art Gallery that provides services to families through a mixture of events and activities through art and culture sessions involving the Council and other service partners.

Decisions

1. To note the report and endorse the draft gross budget for 2023/24 of £3.947m, with cash limit budget contribution from Manchester City Council of £2.43m.

2. To recommend the budget to Executive for approval as part of the Council's 2023/24 budget setting process.

Executive

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

Present: Councillor Craig (Chair)

Councillors: Akbar, Bridges, Hacking, Igbon, Midgley, Rahman, Rawlins, Robinson and White

Also present as Members of the Standing Consultative Panel:

Councillors: Ahmed Ali, Collins, Douglas, Foley, Johnson, Leech Lynch

Apologies: Councillor Stanton

Exe/23/13 Revenue Budget Monitoring Update

The Executive considered a report of the Deputy Chief Executive and City Treasurer, which outlined the projected outturn position for 2022/23, based on expenditure and income activity as at the end of December 2022 and future projections.

The Leader advised that the current budget monitoring forecast was estimating an overspend of £3.5m for 2022/23. The main drivers of the overspend are the pay award and the reductions in car parking and Christmas markets income and Home to School Transport. Overall, there was an improvement of £4.1m from Period 7, which was the last report to Executive in December 2022.

The position reflected the release of contingencies £0.3m, reduced price inflation requirement of £1.7m and a £0.6m reduction in the budget required for electricity. These amounted to a £2.6m reduction in the corporate overspends. The Deputy Chief Executive and City Treasurer also commented that there had also been an increase of £1.5m in Corporate Resources due to the redistribution of the Business Rates levy surplus from Central Government

It was reported that it was positive that the main demand led services within Adults, Children’s and Homelessness were underspending or breakeven, which puts the Council in a better position than many other councils and reflected the investment in prevention strategies over the last few years.

Any remaining overspend which could not be mitigated in year would require the use of the smoothing reserve or the general fund reserve. The smoothing reserve had been established to assist with timing differences between savings plans being developed and delivered. It was recognised that any unplanned use in the current year would reduce capacity to support future years savings programme and reduce the Council’s overall resilience.

Full details about of the budget forecasts and variances by Directorate were detailed in the report and budget changes could be summarised as follows:-

- Highways - Traffic Signal Optimisation - £0.5m grant awarded for upgrade and maintenance of traffic signals and associated equipment;
- Highways - Review of City Centre Controlled Parking Zone and on street tariffs (Parking Reserve) - £50k for the feasibility study estimate of £100k to review the current city centre controlled parking zones and on-street tariffs;
- Homelessness – Homelessness Prevention Grant Winter 2022/23 Top-Up. £0.530m to prevent vulnerable households from becoming homeless and manage local homelessness pressures;
- Corporate Core – Energy Bill Support Scheme: Alternative Funding Grant. £2.300m to facilitate the scheme on an agent basis, whereby the Council acts as an intermediary of Government to make grant payments;
- Use of reserves over and above that agreed as part of the approved 2022/23 budget - £0.6m to Manchester Aquatics Leisure Centre to offset the income losses from the Leisure provider GLL for 2022/23;
- Utilities inflation - £3.246m to cover increased gas prices;
- Cost of living payments to internal Foster Carers of £300, expected to cost £150k in total;
- Payments to households who missed out on the Universal Credit cost Living autumn payments, estimated at £369k;
- £753k released from Contingency; and
- Price Inflation requests

The inflationary pressures outlined in the report were expected to continue into future years. This coupled with funding uncertainty increased the risks associated with setting a balanced and sustainable long-term financial plan and represent a deterioration of the Council’s financial position if no action was taken. It was therefore vital that the Council continued with its programme of innovation and reform and developed its operating model to help tackle these challenges and keep the Council’s finances stable and sustainable.

The 2022/23 budget process saw the Council develop savings and efficiency plans of over £42.3m over the three years to 2025/26. The provisional financial settlement announced on19 December 2022 reflected a change in government policy in relation to funding inflation and social care pressures. This had given the opportunity to review the quantum and phasing of savings and it was now proposed that options of £36.2m were progressed

Whilst the position for 2023/2 looked manageable, the financial position from 2023/24 to 2024/25 was much more challenging. The Medium-Term Financial Strategy elsewhere on the agenda set out the financial context for ensuring future financial sustainability.

Decisions

The Executive:-

(1) Note the global revenue monitoring report and forecast outturn position which is showing a £3.5m overspend.

(2) Approve the use of unbudgeted external grant funding.

(3) Approve the release of reserve funding.

(4) Approve the allocation of budgets to fund Utilities Inflation.

(5) Approve the request for contingency funding.

(6) Approve the allocation of budgets to fund Price Inflation.

Exe/23/14 Capital Programme Budget Monitoring 2022/23

The Executive considered a report of the Deputy Chief Executive and City Treasurer, which informed of the progress against the delivery of the 2022/23 capital programme to the end of December 2022, the latest forecast of capital expenditure and the major variances since the Capital Programme Monitoring report submitted in November 2022 and the proposed financing of capital expenditure for 2022/23 and affordability of the Capital Programme.

The Executive Member for Finance and Resources commented that the revised capital budget sat at £575.8m, with a further £472.1m budgeted to be spent across 2023-2025, taking total Council led capital investment in the city to £1,047.9m.

The latest forecasted expenditure for 2022/23 for Manchester City Council was £443.8m compared to the current approved budget of £575.8m. Spend as of 31 December 2022 was £259.4m. It was reported that the programme was subject to continual review to establish whether the forecast remained achievable.

Whilst the intention was for the Council to progress the programme as stated, some projects and their sources of funding might require re-profiling into future years.

Councillor Leech queried whether the re-profiling of certain aspects of the The Factory would lead to any additional inflationary charges in future years to which the Deputy Chief Executive and City Treasurer clarified that any profiling would not lead to additional costs.

Decision

The Executive note the report.

Exe/23/15 Medium Term Financial Strategy and 2023/24 Revenue Budget

The Executive considered a report of the Deputy Chief Executive and City Treasurer, which set out the strategic and financial context which supported the 2023/24 Budget based on the outcome of the Final Local Government Finance Settlement.

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

- The Our Manchester Strategy;

- Progress to date on delivering the Our Manchester Strategy, building on the recent State of the City analysis;
- The Corporate Plan;
- A summary of the financial position and context;
- The required statutory assessment of the robustness of the proposed budget and adequacy of proposed reserves;
- Other fiduciary and statutory duties; and
- Financial Governance.

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

Since then, the national funding outlook for Local Government has become more volatile. A review of the Council's budget assumptions was undertaken in August 2022 followed by an emergency financial statement delivered by the new Chancellor, on 17 October 2022, which reversed the majority of the tax changes announced on 23 September 2022. An updated position was reported to Executive on 16 November 2022, based on the latest Government position and updated for the 2022/23 pay award and increased inflationary pressures which projected a revised forecast gap of £28m in 2023/24 increasing to £69m in 2024/25 and £96m by 2025/26.

Savings options had been developed consisting of £21.1m for 2023/24r increasing to £42.3m by 2025/26, alongside the proposed application of more than £48m of smoothing reserves to support the spending position. This reduced the forecast gap to £7m in 2023/24, rising to £37m in 2024/25 and £54m by 2025/26. The financial settlement had provided some additional flexibility and headroom, with savings being reviewed and it was now proposed that savings options of £36.2m are progressed, a reduction of £6.1m overall

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

Taking into account the above changes to the financial assumptions; the impact of the Autumn Statement and final Finance Settlement; the setting of the Council Tax and Business Rates base and Collection Fund surplus and the changes to savings and investment proposals, the forecast budget position was:-

	Revised 2022 / 23	**2023 / 24**	**2024 / 25**	**2025 / 25**
	£'000	**£'000**	**£'000**	**£'000**
Resources Available				
Business Rates / Settlement Related Funding	235,553	374,725	380,005	386,872
Council Tax	208,965	217,968	228,087	237,279
Grants and other External Funding	104,559	126,439	127,968	116,055
Dividends	0	0	0	0
Use of Reserves	141,522	17,087	31,861	28,372
Total Resources Available	**690,599**	**736,219**	**767,921**	**768,578**
Resources Required				
Corporate Costs:				
Levies / Statutory Charge	67,871	70,060	75,463	74,646
Contingency	600	600	600	600
Capital Financing	39,507	39,507	39,507	39,507
Transfer to Reserves	24,638	1,335	0	0
Sub Total Corporate Costs	*132,616*	*111,502*	*115,570*	*114,753*
Directorate Costs:				
Additional Allowances and other pension costs	7,316	8,566	8,566	8,566
Insurance Costs	2,004	2,004	2,004	2,004

	Revised 2022 / 23	2023 / 24	2024 / 25	2025 / 25
	£'000	**£'000**	**£'000**	**£'000**
Inflationary Pressures and budgets to be allocated	(7,169)	22,586	38,060	78,102
Directorate Budgets	555,832	591,561	603,721	605,545
Subtotal Directorate Costs	*557,983*	*624,717*	*652,351*	*694,217*
Total Resources Required	**690,599**	**736,219**	**767,921**	**808,970**
Shortfall / (surplus)	**0**	**0**	**0**	**40,392**

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

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

	Revised 2022 / 23	2023 / 24	2024 / 25	2025 / 26
	£'000	£'000	£'000	£'000
Available				

The report went on to present in more detail the main elements that had been part of the Local Government Finance Settlement,

The assumption in regards Council Tax was that the Council would apply a 2.99% Council Tax increase in the basic amount, and a further 2% increase to provide extra funding for Adult Social Care, equating to a 4.99% Council Tax increase overall.

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

It was also reported that Council Tax collection rate had been increased from 95.5% to 96.5% in 2023/24 increasing forecast income by £1.9m.

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

The details of the Business Rate calculations, forecasts and assumptions were set out in the report, as well as the financial changes arising from the business rate related grants and funding the government had provided to support businesses.

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

	Revised 2022 / 23	2023 / 24	2024 / 25	2025 / 26
	£'000	£'000	£'000	£'000
Better Care Fund (Improved)	31,748	31,748	31,748	31,748
Children's and Adult's Social Care Grant	31,924	50,695	57,645	57,645

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

The report also examined the use of resources and the proposed revenue expenditure by the Council in 2023/24. The forecast of levy payments the Council would have to make to other authorities in 2023/24 was:-

	Revised 2022 / 23	2023 / 24	2024 / 25	2025 / 26
	£'000	**£'000**	**£'000**	**£'000**
GMCA - Waste Disposal Authority	29,956	30,632	32,164	33,643
Transport Levy	37,573	39,076	39,467	40,651
Contribution to Bus	0	0	3,481	0

Reform				
Environment Agency	248	258	258	258
Port Health	84	94	94	94
Probation (residuary charge for debt)	7	0	0	0
Magistrates (Residual debt)	3	0	0	0
Net Cost of Levies	**67,871**	**70,060**	**75,463**	**74,646**

The waste disposal levy was paid over to Greater Manchester Combined Authority (GMCA) and this contributed towards their costs of funding Greater Manchester Waste Disposal Authority (GMWDA). Based on figures provided by GMCA the 2023/24 levy costs were to increase by £0.7 inclusive of changes in costs, recycling rates and market prices for recyclates and energy, as well as one off reserve rebates. The final amount would be confirmed following the meeting of the GMCA on 10 February 2023:-

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

The capital financing budget of £ 39.507m was to cover the costs of borrowing. For 2023/24 the forecast breakdown included:-

- Costs of £92.7m as follows:
  - Interest costs of £40.7m,
  - Minimum Revenue Provision (MRP) of £37.2m, being the provision for the repayment of debt incurred to fund an asset, spread over the useful economic life of the asset,
  - Debt Management Expenses of £0.2m, and
  - Contributions to investment projects and capital financing reserves of £14.6m.
  - Partly offset by interest receivable of £53.2m.

Allowances of £8.566m had also been made for retired staff and teachers' pensions to meet the cost of added-years payments awarded to former employees.

The report explained the main assumptions that had been made when calculating provision to be made for inflation and other anticipated costs. These could not, at this point in time, be allocated to Directorate or other budgets. They would instead be allocated throughout the coming year. The total provision being proposed was £7.169m for 2023/24, broken down into:-

	Revised 2022 / 23 £'000*	**2023 / 24 £'000**	**2024 / 25 £'000**	**2025 / 26 £'000**
Non Pay Inflation	(1,240)	6,476	10,818	13,807
Electricity Inflation	0	2,400	2,400	2,400
Pay Inflation	(6,958)	15,600	26,700	38,000
Reduced Pension	0	(2,950)	(2,950)	(2,950)

Contribution				
Apprentice Levy (0.5%)	1,029	1,060	1,092	1,124
Social Care Reforms	0	0	0	25,721
Total	**(7,169)**	**22,586**	**38,060**	**78,102**

The report explained that the Council held a number of reserves, all of which, aside from the General Fund Reserve, had been set aside to meet specific future expenditure or risks. A full review of all the reserves held had been carried out as part of the budget setting process and the planned use of reserves in 2023/24 to support revenue expenditure was as follows:-

	2022 / 23	**2023 / 24**	**Spend supported by the reserve**
	£'000	**£'000**	
Reserves directly supporting the council wide revenue budget:			
Airport Dividend reserve	24,851	1,073	Used in arrears to support the revenue budget position.
General Fund	2,970	0	To support the 2022/23 budget position.
Business Rates Reserve	109,609	7,166	Business rates relief provided over the pandemic and funded by Government. Applied to offset Collection Fund deficit in arrears.
Use of St Johns growth reserve to support revenue budget	0	1,156	Growth in business rates income in the St Johns footprint, used to support the budget.
Adult Social Care budget for New Care Models	0	1,300	An investment to sustain the social work infrastructure and reablement capacity, supporting care models covering Crisis, Discharge to Assess and Manchester Case Management.
Bus Lane and Parking reserves	4,092	6,392	To support transport infrastructure and operations through the TfGM transport levy.
Sub Total	**141,522**	**17,087**	
Earmarked			

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

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

Where reserves were used to support the Council's overall budget position or corporate expenditure such as levies, these were shown gross as part of the Resources required. The use of these reserves totalled £17m in 2022/23. Of this £7.2m related to Business Rates grant, £1m airport reserve, £1.3m for New Care Models and £6.4m supporting the transport levy.

The proposals for the Directorates' cash limit budgets were detailed in the Directorate Budgets 2022/23 reports that were also being considered at the meeting (Minute Exe/23/16 to 23/26 below). The overall position was:-

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

The budget assumptions that underpinned 2023/24 to 2025/26 included the commitments made as part of the 2022/23 budget process to fund ongoing demand pressures, as well as provision to meet other known pressures and investments. Whilst this contributed to the scale of the budget gap it was important that a realistic budget was set which reflected ongoing cost and demand pressures.

The Council remained committed to the priorities within the Our Manchester strategy and to the delivery of the Council's Corporate Plan. The budget presented was based on the best information available to date, however there would be potential changes arising from other government funding announcements, such as the Public Health Grant. Overall, the Finance Settlement announcements had been better than anticipated. The 2023/24 budget gap has been closed without the need for further cuts and an opportunity to consider the quantum and phasing of the cuts and savings options alongside a small level of additional targeted investment and the 2023/24 budget contained reduced savings of £15.4m

While the final settlement had given some breathing space it did not provide a sustainable long term funding solution for Local Government. The difficult financial decisions had been pushed back to 2025/26 and it was highly likely that further significant budget cuts would be required at that point. Officers had estimated the future resources available based on the information available. This resulted in a forecast gap of £40m in 2025/26, after the use of £17m budget smoothing reserves. The focus would now return to identifying medium term cuts and savings and continued working with central government to inform the planned reforms and obtain a fair funding settlement for the City.

Councillor Leech sought clarification on the proportion of bus lane reserves to be used and how much would be left.

Decisions

The Executive:-

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

(2) Note the anticipated financial position for the Council for the period of 2023/24 which is based on all proposals being agreed

(3) Note the resources available are utilised to support the financial position to best effect, including use of reserves and prior years dividends; consideration of the updated Council Tax and Business Rates position; the financing of capital investment, and the availability and application of grants.

(4) Note that the Capital Strategy and Budget 2023/24 to 2025/26 has been presented alongside this report.

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

(6) Recommend to Council to approve, as elements of the budget for 2023/24

- an increase in the basic amount of Council Tax (i.e., the Council's element of Council Tax) by 2.99% and Adult Social Care precept increase of 2%;
- the contingency sum of £0.6m (para 6.61);
- corporate budget requirements to cover levies/charges of £70.060m, capital financing costs of £39.507m, additional allowances and other pension costs of £8.566m and insurance costs of £2.004m;
- the inflationary pressures and budgets to be allocated in the sum of £22.586m; and delegate the final allocations to the Deputy Chief Executive and City Treasurer in consultation with the Executive Member for Finance and Human Resources;
- the estimated utilisation of £13.146m in 2023/24 of the surplus from the on-street parking and bus lane enforcement reserves, after determining that any surplus from these reserves is not required to provide additional off-street parking within the district; and
- The planned use of, and movement in, reserves after any changes are required to account for final levies.

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

(8) Approve the in-principal contribution to the Adults aligned budget, subject to the extension of the S75 Agreement with Manchester Foundation Trust, which will be considered by Executive in March 2023.

(9) Approve the in-principal contribution to the Better Care Fund (BCF), subject to the extension of the BCF S75 Agreement with Manchester ICS, which will be considered by Executive in March 2023.

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

(11) Delegate authority to the Deputy Chief Executive and City Treasurer and Chief Executive in consultation with the Executive Member for Finance and Human Resources to administer the Council Tax Support Fund, Household Support Fund and Energy Bill Support Scheme: Alternative Funding Grant.

(12) Note that there is a requirement on the authority to provide an itemised council tax bill which, on the face of the bill, informs taxpayers of that part of any increase in council tax which is being used to fund adult social care;

(13) Recommend that Council approve and adopt the budget for 2023/24.

Exe/23/16 Corporate Core Budget 2023/24

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

The 2022/23 budget process saw the Council develop savings and efficiency plans of over £42.3m over the three years to 2025/26 of which there were savings options of £10.26m (including Corporate Core savings of £6.024m and Traded Services savings of £4.236m). The provisional financial settlement announced on 19 December 2022 reflected a change in government policy in relation to funding inflation and social care pressures. This had given the opportunity to review the quantum and phasing of savings and it was now proposed that options of £36.2m were progressed, of which £7.712 were attributable to the Corporate Core directorate.

The revised core budget saving proposals would be delivered through a combination of:

- Transformation delivered through the Future Shape Programme – ensuring that the quality of Council services, resident experiences and outcomes were improved, whilst improving council efficiency and reducing costs resulting in approximately £5m savings over a five year period

- Review of workforce structures and capacity alongside taking a realistic view on the ability to fill longstanding vacancies; a review of service areas to identify efficiencies or opportunities for income generation; and delivering a corporate programme of work to ensure the basics were right, sound and competitive procurement, approach to managing inflation, ensuring income budgets were maximised and charges appropriate which would result in a further £3.46m of savings made up of a combination of £170k additional income generation and £3.29m efficiencies

Future Shape Theme	2023/24 £000's	2024/25 £000's	2025/26 £000's	2026/27 £000's	2027/28 £000's	Grand Total £000's
Customer Experience (RBDXP)	0	0	200	500	850	1,550
More Purposeful & Effective Core	200	422	490	400	400	1,912
Digital Data Insights	100	50	209	300	300	959
Future Shape Total	**300**	**472**	**899**	**1,200**	**1,550**	**4,421**
Further Savings & Efficiencies	3,065	205	190	0	0	3,460
Total Corporate Core	**3,365**	**677**	**1,089**	**1,200**	**1,550**	**7,881**

The report also identified that there were growth and investment pressures of £1.777m that needed to be considered as part of the budget setting process:-

Description	2023/24 £000's	2024/25 £000's	2025/26 £000's	Total £000's
Gorton Hub running costs	500	0	0	500
ICT – EUD refresh	0	750	0	750
ICT – Cyber licences	461	0	0	461
Finance – increased license costs	10	10	0	20
HR – reduced payroll income	23	23	0	46
Total Corporate Core Pressure	**994**	**783**	**0**	**1,777**

There were also some new pressures that had been identified for 2023/24 and beyond which included:-

- Information Technology £0.75m - as part of the ICT strategy there had been the roll out of the end user device strategy. In order to provide an ongoing refresh of kit and additional revenue requirements of c£0.75m would be required from 2024/25;
- Additional security software - there had been increased requirements in respect of ensuring systems remained secure, and to avoid any security compromises, additional software had been installed in 2022/23 and the full year costs in 2023/24 would be c£461k per annum;
- Financial Management increased licence software to support the implementation of Civica costs £20k; and
- HR/OD £46k reduced payroll income as schools use alternative providers.

Additional investment of £3.55m had also been identified in direct response to the unprecedented pressures facing our residents from the current cost of living crisis.

In addition to the Corporate Core, the report provided details of budget proposals in regards to the Operations and Commissioning budgets. Based on the most up to date information and projections, the likely shortfall in car parking income in 2023/24 was likely to be around £1.9m. It was proposed that this would be mitigated through bringing together off street and on street parking and making a reduced contribution to the parking reserve. The parking reserve was forecasted to be c£6.3m at the close of 2022/23, although based on current activity levels it would reduce to nil by 2027/28.

It was noted that the report had also been considered at a recent meeting of the Resources and Governance Scrutiny Committee where the committee had endorsed the budget proposals (Minute RGSC/23/24)

Councillor Leech sought clarification as to whether Gorton Hub would become self-financing in future years or whether further running cost support would be required. He also commented that whilst the additional support to VCS Groups was a welcome addition, some wards across Manchester were better represented than others and queried if an equal balance of this funding would be applied.

Decisions

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

Exe/23/17 Children and Education Services Budget 2023/24

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

The 2022/23 budget process saw the Council develop savings and efficiency plans of over £42.3m over the three years to 2025/26 of which there were savings options of £11.8m for the Children and Education Services directorate. The provisional financial settlement announced on19 December 2022 reflected a change in government policy in relation to funding inflation and social care pressures. This had given the opportunity to review the quantum and phasing of savings and it was now proposed that options of £36.2m were progressed, of which £11.725 were attributable to the Children and Education Services directorate.

As a result of the improved financial settlement and alongside observations and challenge from Scrutiny Committee Members, the £75k Youth saving proposal has been removed and inflation assumptions had been reviewed. In addition, due to increasing Looked After Placement and Permanence placement costs the Managing Demand saving had been delayed and reprofiled. Furthermore, the School Crossing Patrol savings proposal had also been rephased and whilst it was proposed that savings of £11.725m savings were progressed, the timing of these have been deferred to later years.

The financial settlement had also given some scope for some targeted additional investments focused on preventing and managing future demand to leave the council in a more sustainable position in 2025/26 when the current spending review period ended.

As in previous years the budget options for savings had been informed by the Directorate Budget approach to deliver safe, effective and efficient services, the progress and impact of the services to date. This approach had contributed to overall looked after children numbers (rates) reducing and remaining relatively stable in Manchester. Cost reductions have been driven by a reduction in the number of expensive external residential placements. There had also been a parallel reduction in spend on external foster placements (12% reduction year on year, equating to £2.1m p.a. reduction in spend).

An analysis of the investment in prevention by the Directorate and current placement stability had led to some confidence that placement numbers were not going to increase at the rate assumed in the 2022/23 budget setting process with anticipated savings achieved through fewer and reduced placement costs, totalling £10.615m

Of the savings proposed, £1.110m would focus on charging of existing services to grant, reserves, ceasing activity that it was not achieving planned outcomes or applying different set of budget assumptions.

It was also reported that Looked after Children placements and Home to School Transport demographic demand was determined based on the placement numbers on which the budget was set compared to the current position and potential increase in demand informed by 3% population growth predictions. Subsequently it was proposed that the Children and Education Services cash limit budget would increase by £2.357m, £2.419m and £2.479m in 2023/24, 2024/25 and 2025/26 respectively as estimated in the 2021/22 budget setting process.

The high and volatile inflationary environment had seen an increase to the corporate inflation allowance and immediate pressures affecting budgets in 2023/24 had already been identified and deemed unavoidable. Requirements illustrated that there were £2.687m of known and confirmed inflation pressures, which would be allocated to the budget at the start of the year and £1.515m would be set aside Corporately for price inflation and drawn down if needed.

It was noted that the report had also been considered at a recent meeting of the Children and Young People Scrutiny Committee where the committee had endorsed the budget proposals (Minute CYP/23/10)

Decision

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

Exe/23/18 Public Health Budget 2023-26

The report of the Director of Public Health explained how the budget proposals for the Directorate had been developed.

The 2022/23 budget process saw the Council develop savings and efficiency plans of over £42.3m over the three years to 2025/26 of which there were savings options of £1m attributable to Public Health. The provisional financial settlement announced on 19 December 2022 reflected a change in government policy in relation to funding inflation and social care pressures. This had given the opportunity to review the quantum and phasing of savings and it was now proposed that options of £36.2m were progressed, of which £0.73m were attributable to the Public Health budget.

In the context of austerity and the national public health challenges post pandemic, the approach to the development of savings had been extremely difficult. The work had been informed by:

- The challenging position across a range of Public Health outcome measures with a worsening of health outcomes in Manchester since the pandemic;
- Reducing pressures on the wider health and social care system by ensuring that upstream cost effective prevention programmes were maintained;
- The need to protect the Drug and Alcohol service budget linked to new national investment conditions relating to the new national 10-year Drug Strategy, From Harm to Hope; and
- The scale of previous Public Health savings programmes.

Proposals had been identified as deliverable without impacting on delivery of public health commissioned services in the city and were summarised as follows:-

	2023/24 £'000	**2024/25 £'000**	**2025/26 £000**	**Total £'000**
Initial Target	**1,000**	**0**	**0**	**1,000**
Savings withdrawn	-270	0	0	-270
Revised Target	**730**	**0**	**0**	**730**
Comprising:				
Disestablish Public Health Vacancies	90			90
Use of 2022/23 underspend	330	(330)		0
MCR Active	30			30
Headroom in budget set aside for contract uplifts	280	330		610
Total	**730**	**0**	**0**	**730**

As per the Spending Review, it was announced the public health grant would remain the same in real terms which would significantly undermine the ability of local systems to reduce health inequalities without further investment in prevention by the NHS. However current levels of inflation would significantly erode spending power unless a further increase in grant was confirmed.

If the proposed changes were approved, the three-year budget position would be as follows:-

Service Area	**2022/2023 Budget**	**2023/2024 Indicative Budget**	**2024/2025 Indicative Budget**	**2025/2026 Indicative Budget**
	£'000	**£'000**	**£'000**	**£'000**
Public Health Core	3,300	3,210	3,210	3,210
Public Health - Children's Services	4,222	4,222	4,222	4,222
Early years - Health Visitors	10,676	10,676	10,676	10,676
Drugs and Alcohol	8,989	8,989	8,989	8,989
Sexual Health	8,295	8,295	8,295	8,295
Wellbeing (includes ZEST)	6,758	6,758	6,758	6,758
Other	445	195	195	195
Total	**42,685**	**41,955**	**41,955**	**41,955**

The savings proposals would have a limited internal workforce impact due to the roles being disestablished being vacant and planned. This was part of the wider review of roles and responsibilities as resource shifted back to business as usual after the heightened focus on COVID-19 for the last three years.

It was noted that the report had also been considered at a recent meeting of the Health Scrutiny Committee where the committee had endorsed the budget proposals (Minute HSC/23/09)

Decision

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

Exe/23/19 Adult Social Care Budget 2023/24

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

The 2022/23 budget process saw the Council develop savings and efficiency plans of over £42.3m over the three years to 2025/26 of which there were savings options of £10.025m for the Adult Social Care directorate. The provisional financial settlement announced on19 December 2022 reflected a change in government policy in relation to funding inflation and social care pressures. This had given the opportunity to review the quantum and phasing of savings and it was now proposed that options of £36.2m were progressed, of which £8.542m were attributable to the Adult Social Care directorate.

In the context of austerity and the national challenges and Adult Social Care (ASC) reform programme underway, the approach to the development of savings built upon the previous work done to date and was cognisant of:-

- Better Outcomes Better Lives (BOBL) as the underpinning strategy and the commitments already made to deliver the 2021-24 target, which in itself would be challenging to deliver;
- Preventing potential for a negative impact on the wider health and social care system; and
- The imperative to maintain the progress against the ASC improvement plan for social work infrastructure and improved practice to support and safeguard our most vulnerable citizens.

The proposals detailed were all considered deliverable but would be challenging to deliver, requiring significant service redesign, reconfiguration and effective change management. The proposals enabled citizen independence and outcomes to be protected or potentially improved but there would need to be an understanding by citizens, families and carers that in some cases care arrangements would have to change and needs may be met in alternative ways. This was integral if the budget strategy was to be achieved.

The proposed savings programme (£8.542m) was detailed as follows:-

	2023/24 £'000	**2024/25 £'000**	**2025/26 £000**	**Total £'000**
Provider Services	150	1,650	1,450	3,250
Workforce	1,217			1,217
Charges		50		50
Demand Management	2,275			2,275
Other	500	500	750	1,750

Total	**4,142**	**2,200**	**2,200**	**8,542**

As part of the budget process, it was important that as well as having to find savings to balance the budget, that any service pressures were recognised and where unavoidable were correctly budgeted for, this would allow for the better on-going management of the service and budgets. These pressures included the standard increases approved annually for demographic pressures and the uplift to care costs driven by the Council's commitment to pay the Real Living Wage to care staff.

Current pressures reported in 2022/23 which had recurrent budget implications were also included and covered in-house supported accommodation, advocacy costs and deprivation of liberty standards (DOLS) best interest assessments.

In addition, an investment of £1.3m per year 2023-26 would be required to sustain the social work infrastructure and reablement capacity, supporting care models covering Crisis, Discharge to Assess and Manchester Case Management

The Autumn Statement had also included a number of funding announcements of specific importance to social care and further details have been received as part of the provisional financial settlement and through the health announcements for the Better Care Fund (BCF). The key headlines were:-

- ASC Discharge Fund (£4.451m 2023/24 increasing to £7.420m 2024/25)
- Market Sustainability and Improvement Grant (£1.800m in 2022/23 and an additional £4.443m 2023/24 rising to £7.548m 2024/25)
- Social Care Grant (£18.8m 2023/24 rising to £25.7m 2024/25) - ringfenced for adults and children's social care
- Social Care Precept - The council tax referendum limit of 2.99% for local authorities, with social care authorities allowed an additional 2% social care precept
- Continuation of the Better Care Fund in 2023/24 and 2024/25 with an assumed minimum BCF contribution to social care rise of 5.66% at a health and well-being board level equating to £1.023m.

A number of key investments were also proposed funded using the increase in BCF £1.023m with the balance allocated from the Social Care Grant:-

	2023/24 £'000	**2024/25 £'000**	**2025/26 £'000**
Strengthening statutory functions	1,166	1,023	1,023
Effective demand management and supporting completion of the BOBL 3 year savings programme	717	703	655
Supporting the delivery of the new savings programme	189	386	306
Areas of demand pressures	1,046	896	971
Total	**3,118**	**3,008**	**2,955**

It was noted that the budget report had also been considered at a recent meeting of the Health Scrutiny Committee and the committee had endorsed the proposals in the report (Minute HSC/23/10).

Councillor Leech commented that he was concerned with the proposal to remove financial support for short breaks and asked if this could be reconsidered as part of the budget proposals.

Decision

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

Exe/23/20 Neighbourhoods Directorate Budget 2023/24

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

The 2022/23 budget process saw the Council develop savings and efficiency plans of over £42.3m over the three years to 2025/26 of which there were savings options of £2.191m for the Adult Social Care directorate. The provisional financial settlement announced on 19 December 2022 reflected a change in government policy in relation to funding inflation and social care pressures. This had given the opportunity to review the quantum and phasing of savings and it was now proposed that options of £36.2m were progressed, of which £0.646m were attributable to the Neighbourhoods directorate.

The Neighbourhood Directorate had a net budget of c£130.3m, with 1,481 budgeted FTE's. As part of identifying options the initial priority had been to protect service delivery wherever possible

The following proposed savings had been put forward:-

Environmental and Climate Change	**Amount of Saving**				**Indicative FTE Impact**
	2023/24	**2024/25**	**2025/26**	**Total**	
	£'000	**£'000**	**£'000**	**£'000**	
Parks and Green Spaces	127	0	0	127	0
Waste and Street Cleaning	0	0	400	400	0
Total	**127**	**0**	**400**	**527**	**0**

Communities and Equalities – Excluding Homelessness	**Amount of Saving**				**Indicative FTE Impact**
	2023/24	**2024/25**	**2025/26**	**Total**	
	£'000	**£'000**	**£'000**	**£'000**	
Compliance	99	0	0	99	0
Libraries, Galleries and Culture	20	0	0	20	0
Total	**119**	**0**	**0**	**119**	**0**

As part of the budget proposals a further £1m investment into waste and street cleaning was proposed, this would support Basic Services and Street Cleaning and was in addition to the £1m investment into waste and street cleaning put forward as part of the 2022/23 budget

It was also proposed that there would be a further investment of £1.2m to support specific activity in and around the City Centre, District Centres and key arterial routes.

In relation to the annual waste levy costs, these were driven by forecast tonnages of waste to be disposed of and the costs of disposal. The levy was set by GMCA and based on latest forecasts it is anticipated that this would increase in 2023/24, with the increase to Manchester being £1.024m. Further increases of £1.916m had been assumed split over 2024/25 and 2025/26 and these increases were reflected in the current budget plans for those years.

The budget position also reflected a one-off return of waste reserves from GMCA of £25m, of which Manchester's share was £4.5m. This has been reflected in the corporate budget to reduce the overall budget gap in 2023/24.

There was no projected workforce impact of activity to deliver the savings. Effective and robust workforce planning arrangements were in place.

It was note that as development continued across the city this could lead to increased growth pressures for Neighbourhood Services as the number of households grew significantly. These increased demands would include compliance and enforcement, waste collection and disposal and street cleaning.

It was noted that the budget reports had also been considered at a recent meeting of the Communities and Equalities Scrutiny Committee (Minute CESC/23/11).and the Environment and Climate Change Scrutiny Committee (Minute ECCSC/23/11) and both committees had endorsed the proposals in the report.

Councillor Leech commented on the proposed budget savings attributed to the review of opening hours of the Art Gallery. He also welcomed the proposal to remove the charge for replacement recycling bins within this year's budget until the next financial year but felt that the charge should be removed permanently. In addition, he also sought clarification on what the extra investment in street cleansing had been spent on.

Decision

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

Exe/23/22 Zero Carbon 2023/24 Budget Report

The Executive considered a report of the Deputy Chief Executive and City Treasurer, which provided an overview of the funding secured and invested to date to enable delivery of Manchester City Council's Climate Change Action Plan (CCAP) 2020-2025 and set out what has been delivered as a result of the additional revenue funding provided from the Council's budget for 2022/23 and highlights the priority actions to be delivered between 2023-25.

To date, the Council had made good progress, remained within its carbon budget, and had so far achieved nearly 30% of the target to reduce its CO2 emissions by 50% by 2025.

To date, the Council has already put in place investment of approximately £227m to deliver the 5-year Climate Change Action Plan along with an additional direct revenue investment of £800k secured as part of the 2022/23 budget setting. To enable the delivery of the commitments set out in the Council's CCAP, further revenue and capital investment from multiple funding sources over multiple financial years would be critical and a major challenge

It was recognised that continuing to operate within the remainder of the carbon budget would be challenging and the Council would need to continue to identify and secure investment to deliver on its commitments. Work proposed in the Council's Capital Strategy and budget would support some of the ongoing priorities for delivering the CCAP.

The report then outlined the Council's CCAP priorities for 2023/24 and highlighted where the additional capacity would help to drive these actions forward.

Decision

The Executive note the progress that has been made on delivering the Council's Climate Change Action Plan during 2022 and endorses the priorities for 2023/24.

Exe/23/23 Homelessness Directorate 2023/24 Budget

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

The 2022/23 budget process saw the Council develop savings and efficiency plans of over £42.3m over the three years to 2025/26 of which there were savings options of £4.646m for the Homelessness directorate. The provisional financial settlement announced on19 December 2022 reflected a change in government policy in relation to funding inflation and social care pressures. This had given the opportunity to review the quantum and phasing of savings and it was now proposed that options of £36.2m were progressed, of which £4.646m were attributable to the Homelessness directorate.

The Homelessness budget oversaw a gross budget of £71.959m, and a net budget of £28.435mm. The biggest proportion of the budget was spent on Temporary Accommodation, in particular B&B and Dispersed. The Net Homelessness Budget had increased from £15.1m in 2018/19, an increase of £13.3m per annum to reflect the increase in Temporary Accommodation numbers as well as investment into Prevention.

There were no savings options proposed for Homelessness which would result in a reduction in service. Over the medium term the savings would be linked to the ambition to reduce numbers in Temporary Accommodation through significant reductions in B&B placements and increased prevention during 2023/26. However, there were specific demand and inflation pressures facing the Homelessness Budgets. Government refugee and asylum schemes were placing pressure on Manchester temporary accommodation market, driving up cost, resulting in a £4m fee uplift requirement for Homeless Temporary Accommodation and this pressure had been reflected in the Medium Term Financial Plan with £4m of growth proposed for Homelessness in 2023/24. Resources of up to £1.5m held within the Homelessness reserve would be set aside and would be available for investment in supporting the potential pressures in Homelessness.

The Homelessness Service were working with private sector landlords to try and reduce the number of people who were evicted, with a targeted communications campaign to encourage people to seek advice and support early, prior to eviction.

Of the savings required £3.25m could be achieved over the 3 year period in B&B Accommodation schemes as a result of a combination of reductions made for Transformation and changes in Allocation’s procedure which would reduce the number of families in B&B, as residents were supported to remain in current accommodation. A further £1.172m of demand reductions would be delivered in Dispersed Accommodation. This was linked to Transformation and an increase in the number of Dispersed Accommodation properties which were managed by a Registered Provider to reduce the Housing Subsidy loss incurred by the Council in providing this service. The remaining £224k of proposed savings were linked to an increase in vacancy factor of 2% to 5.5% for Homelessness, this reflected the ongoing difficulties in recruitment and brought the vacancy factor in line with existing and expected levels. It was proposed that this saving would be delivered in 2024/25 as the underspend in mainstream staffing budgets in 2023/24 will be retained to fund the new posts created to support the Transformation work and staffing levels would be reviewed as part of the ongoing Transformation work.

It was noted that the budget report had also been considered at a recent meeting of the Communities and Equalities Scrutiny Committee and the committee had endorsed the proposals in the report (Minute CESC/23/12).

Councillor Leech queried whether having no planned contingency for demand pressures on the service from next year was likely to lead to potential problems in future years.

Decision

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

Exe/23/24 Growth and Development Directorate Budget 2023/24

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

The 2022/23 budget process saw the Council develop savings and efficiency plans of over £42.3m over the three years to 2025/26 of which there were savings options of £2.398m for the Growth and Development directorate. The provisional financial settlement announced on19 December 2022 reflected a change in government policy in relation to funding inflation and social care pressures. This had given the opportunity to review the quantum and phasing of savings and it was now proposed that options of £36.2m were progressed, of which £2.169m were attributable to this Directorate.

The Growth and Development Directorate had a gross budget of £36.114m, generates income of £44.886m resulting in a net income budget of £8.772m, and employs 409 FTEs. In addition, Highways service had a gross budget of £27,959m and a net budget of £20.835m with 243 FTE.

The Directorate received a proportion of annual rental income from Manchester Airport Group. Based on estimates provided by the Airport, additional income of £1.615m income had been built into the budget over the next three-year period. Achievement of this income was dependent on performance being in line with or better than the forecasts provided.

A review of the funding arrangements for staff had identified opportunities to capitalise staffing costs, the initial proposal was £250k per annum, but following the review of all options this had been reduced by £100k to £150k. This review had taken into consideration the most appropriate source of funding given the activities of staff.

The proposed sale of an asset in Wythenshawe would result in a capital receipt, there was currently a budget of £170k in respect of the internal loan used to fund the acquisition of the building. Once the site was disposed of the outstanding borrowing would be settled and there will be a saving of £170k per annum.

In respect of Strategic Housing, the deletion of a vacant grade 4 post would result in a £9k saving to the General Fund, with the balance of the saving being reflected in the Housing Revenue Account.

Highway Services initial saving proposals were £354k over three years but following review the total savings proposals had reduced by £129k to a revised total of £225k.

The revised proposals were made up of a combination of increased income (£160k) and deleting two vacant positions (£60k)

It was also proposed to invest £300k to provide additional resources to enable capacity to support the establishment of a new team within City Centre Growth and Infrastructure, and to provide additional capacity to the Highways Development Specialist team.

It was noted that the budget report had also been considered at a recent meeting of the Economy Scrutiny Committee and the committee had endorsed the proposals in the report (Minute ESC/23/12).

Councillor Leech questioned whether the proposed deletion of a post within Highways Services that would realise £60k savings would make any difference given the increase in claims to the Council against trips and falls

Decision

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

Exe/23/25 Housing Revenue Account 2023/24 to 2025/26

A joint report by the Strategic Director (Growth and Development), the Strategic Director (Neighbourhoods) and the Deputy Chief Executive and City Treasurer presented the proposed budget for the Housing Revenue Account (HRA) for 2023/24 and indicative budgets for 2024/25 and 2025/26.

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

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

The HRA Budget Position for 2022/23, which as of December 2022, was forecasting that net expenditure would be £14.940m higher than income, which would need to be funded by the additional use of reserves to that planned. In effect the HRA was forecasting an overspend of £1.752m and the main reasons for in year changes were detailed in the report.

Government guidance allowed Local Authorities to increase rents by a maximum of CPI plus 1% for the five-year period 2020/21 to 2024/25. The CPI rate used was based on the September figure in the preceding year, and as at September 2022 CPI was 10.1%. However, the cost-of-living crisis had resulted in the Government launching a consultation exercise around the level at which the rent cap should be set at in 2023/24. The Government had since advised that the maximum social rent increase would be capped at 7%, with an exception for properties within PFI contracts, where the standard PFI unitary charges are contractually linked to inflation measures. Therefore, this report sought approval to increase tenants' rents for all properties by 7% from April 2023 except PFI properties, where standard increase of CPI +1% (11.1%) was proposed, also in line with Government policy.

Whilst the cap on rents is welcomed from a tenant's perspective, there was no cap applied in respect of inflationary impacts on expenditure incurred by the HRA and the 7% increase (11.1% for properties managed under PFI contracts) would result in c£2.0m less rental income in 2023/24 and c£78m over the life of the 30-year business plan, which would mean £78m less to invest into the estate over that time.

In light of the current economic climate and the potential impact the proposed rent and heating charge increase may have on the most vulnerable tenants it was proposed that the hardship fund was increased from the initial £200k provided in 2022/23 to £1m in 2023/24. This fund would provide targeted support to those most affected by the cost-of-living crisis.

In light of the current economic climate and the potential impact the proposed 7% rent increase might have on the most vulnerable tenants it was proposed that £200k was earmarked to provide a hardship fund to provide targeted support to those most affected by the increase in living costs, the proposed rent increase and the ongoing impacts of COVID. In addition to the hardship fund, it was also noted that the proposed 7% rent increase would be covered in full for those residents in receipt of 100% housing benefit entitlement and tenants in receipt of universal credit would also be partially protected from the impact of any increase in rents

To ensure that the increase applied to garage rents remained in line with that applied to dwelling rents, it was proposed that 2023/24 garage rents be increased in line with the original rent formula or 11.1%by 4.5%, which would see an increase in the rental of between 0.22p and 0.56p per week.

The report also explained the other key changes in the HRA budget for 2023/24, and the full budget was presented as set out below.-

	2022/23 (Forecast)	**2023/24**	**2024/25**	**2025/26**
	£000	**£000**	**£000**	**£000**
Income				
Housing Rents	(62,836)	(67,556)	(72,181)	(74,753)
Heating Income	(681)	(1,736)	(2,292)	(2,338)
PFI Credit	(23,374)	(23,374)	(23,374)	(23,373)
Other Income	(1,022)	(1,974)	(1,083)	(1,073)
Funding from General HRA Reserve	(14,940)	(22,808)	(25,756)	(1,551)
Total Income	**(102,853)**	**(117,448)**	**(124,686)**	**(103,088)**

Expenditure				
Operational Housing - Management	14,055	14,835	15,272	15,453
Operational Housing - R&M	16,567	16,784	15,842	14,933
PFI Contractor Payments	32,591	36,301	36,944	36,525
Communal Heating	3,196	2,890	2,292	2,338
Supervision and Management	5,568	5,776	5,877	5,940
Contribution to Bad Debts	569	679	726	752
Hardship Fund	150	1,000	0	0
Depreciation	22,000	25,580	26,650	27,163
Other Expenditure	1,327	981	1,036	1,070
RCCO	4,100	9,920	17,350	(4,163)
Interest Payable and similar charges	2,730	2,702	2,695	3,031
Total Expenditure	**102,853**	**117,448**	**124,684**	**103,042**
Total Reserves (exc Insurance):				
Opening Balance	(112,064)	(97,124)	(74,316)	(48,560)
Funding (from)/to Revenue	14,940	22,808	25,756	1,551
Closing Balance	**(97,124)**	**(74,316)**	**(48,560)**	**(47,009)**

It was noted that the proposed HRA budget 2023/24 and indication of the 2024/25 and 2025/26 budgets had also been considered by the Resources and Governance Scrutiny Committee at its February 2023 meeting where the committee had noted the proposals in the report (Minute RGSC/23/10).

Councillor Leech raised his concern in relation to increasing rental costs for those residents that were on District Heating Schemes as in previous years they had been given a subsidy towards their energy costs.

Decisions

The Executive

(1) Note the forecast 2022/23 HRA outturn as set out in section 4 of the report.

(2) Approve the 2023/24 HRA budget and note the indicative budgets for 2024/25 and 2025/26.

(3) Approve the proposed 7% increase to dwelling rents and 11.1% increase in Garage rents, and delegate the setting of individual property rents, to the Director of Housing Operations and the Deputy Chief Executive and City

Treasurer, in consultation with the Executive Member for Housing and Development and the Executive Member for Finance and Human Resources.

(4) Approve the proposal that the Council continues with the policy of where the 2023/24 rent is not yet at the formula rent level, the rent is revised to the formula rent level when the property is re-let.

(5) Note the proposed 2023/24 changes for communal heating charges and approve the change in policy so that charges can be aligned with the Ofgem price cap over the following financial year in a phased approach and adjusted in line with any change to the Ofgem price cap once alignment has been reached thereafter.

(6) Approve a proposed £1m support fund to support residents and tenants with increased costs of both rent and heating charges.

(7) Approve the proposed 2023/24 Housing Operations revenue budget.

Exe/23/26 Schools Budget 2023/24

The Executive considered a report of the Strategic Director for Children's and Education Services, which provided a summary of the confirmed Dedicated Schools Grant (DSG) allocation from the 2023/24 settlement.

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

The Council receive and managed the DSG within four blocks: schools, central school services, high needs and early years. A large proportion of it was paid directly to schools and other settings to provide the majority of education services. A proportion of the DSG was provided to the Council to deliver education services.

The 2023/24 DSG notification was received on 16 December 2022 and totalled £671.364m with and e overall increase in DSG since last year of £37.930.

The Schools Block allocation of £503.271m had been calculated bottom up on the basis as if the national funding formula (NFF) was applied at school level. On average the DfE has increased the formula determined by pupil level data by 3.5%.

The Central School Services Block (CSSB) allocation was £3.753m and supported the Council's role in education.

The Higher Needs Block (HNB) allocation was £122.847m and provided increased funding for children and young people with special educational needs and disability from early years to age 25 years. The DfE had allocated an additional £0.97bn to the HNB nationally. Manchester's additional HNB grant was £8.306m, an increase of 7.25% compared to 2022/23, and was £1m higher than previously expected.

The Early Years funding was £41.494m and this was provisional figure which reflected the 2023/24 early years national funding formula (EYNFF) rates for all councils published in December 2022. This funding would be finalised at a later date.

In addition, Manchester had been allocated £22.250m from the Government’s £2bn additional schools funding, on-top of the 2023/24 DSG. This additional funding would provide support for schools (reception to year 11) for pay and inflation increases. The funding did not include any allocation for early years or post-16. For 2023/24 this would be in the form of a separate grant, the DfE intended to incorporate this funding into core budget allocations for 2024/25, so for schools 5 to 16 years, this would mean the funding being rolled into the schools national funding formula (NFF) from 2024/25.

It was noted that the report had also been considered at a recent meeting of the Children and Young People’s Scrutiny Committee and the committee had endorsed the proposals in the report (Minute CYPSC/23/11).

Decision

The Executive approves the proposed Schools Budget including specifically the following:-

- All Manchester primary and secondary schools should receive a per pupil increase between 0.5% minimum and up to 3.2% on pupil-led funding.
- Manchester does not intend to propose a 0.5% transfer from the school block to high needs 2023/24.
- Early year rates two-year-old base rate increase by 6p. Three and four-year old 22p increase, to be passed onto providers by increase base rate by 5p per hour and adding a new quality supplement (17p per hour) to reflect the rolling in TPG and TPEGC funding into the funding formula.
- Central services school block (CSSB) funding has reduced on a per pupil basis by 2.5% despite there being additional burden due to the new admission code, with no reduction in other functions councils are required to provide.
- Additional Schools Funding 2023/24 will be allocated as a separate grant for mainstream schools. Special schools will receive a 3.4% funding increase on top of the average place and top-up rates, following DfE formula.

Exe/23/27 Capital Strategy and Budget 2023/24 to 2025/26

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

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

The capital programme 2023/24 to 2025/26 comprised the continuation of the existing programme. For continuing schemes, the position was based on that set out in the report on Capital Programme Monitoring 2022/23, also being considered at this meeting (Minute Exe/23/14 above).

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

If agreed, then the proposals contained in the report would create a capital programme of £443.8m in 2022/23, £426.8m in 2023/24, £199.7m in 2024/25 and £34.1m in 2025/26, summarised as follows:-

Forecast Budgets	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**Total**	***Total 23/24-25/26***
	£m	**£m**	**£m**	**£m**	**£m**	***£m***
Manchester City Council Programme						
Highways	37.5	44.5	6.0	8.2	**96.2**	***58.7***
Neighbourhoods	73.3	34.3	5.8	2.1	**115.5**	***42.2***
The Factory and St John's Public Realm	60.9	18.5			**79.4**	***18.5***
Growth	84.9	118.5	35.9	3.7	**243.0**	***158.1***
Town Hall Refurbishment	68.7	86.4	46.6		**201.7**	***133.0***
Housing – General Fund	17.4	38.8	33.1	8.5	**97.8**	***80.4***
Housing – HRA	32.4	49.4	44.0	11.6	**137.4**	***105.0***
Children's Services (Schools)	43.6	23.3	3.6		**70.5**	***26.9***
ICT	4.3	2.6			**6.9**	***2.6***
Corporate Services	15.0	1.5	0.5		**17.0**	***2.0***
Total (exc. Contingent budgets)	**438.0**	**417.9**	**175.5**	**34.1**	**1,065.6**	***627.6***
Contingent Budgets	5.8	8.9	24.2		**38.9**	***33.0***
Total Programme	**443.8**	**426.8**	**199.7**	**34.1**	**1,104.4**	***660.6***

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

	2022/23 forecast	**2023/24 forecast**	**2024/25 forecast**	**2025/26 forecast**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**
Grant	94.4	110.6	36.7	3.6	**245.3**
External Contribution	26.6	17.4	0.8	7.0	**51.8**
Capital Receipts	31.0	43.2	32.7	8.6	**115.5**
Revenue	36.0	46.9	45.5	11.6	**140.0**

Contribution to Capital Outlay					
Borrowing	255.8	208.7	84.0	3.3	**551.8**
Total	**443.8**	**426.8**	**199.7**	**34.1**	**1,104.4**

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

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

Decisions

The Executive:-

(1) Approve and recommend the report to Council, including the projects for Council approval in section 6, and note that the overall budget figures may change subject to decisions made on other agenda items.

(2) Note the capital strategy.

(3) Note that the profile of spend is provisional, and a further update will be provided in the outturn report for 2022/23.

(4) Delegate authority to the Deputy Chief Executive and City Treasurer in consultation with the Executive Member for Finance and Human Resources to make alterations to the schedules for the capital programme 2022/23 to 2025/26 prior to their submission to Council for approval, subject to no changes being made to the overall estimated total cost of each individual project.

Exe/23/28 Treasury Management Strategy Statement 2023/24, including Borrowing Limits and Annual Investment Strategy

The Executive considered a report of the Deputy Chief Executive and City Treasurer, which set out the proposed Treasury Management Strategy Statement and Borrowing Limits for 2023/24 and Prudential Indicators for 2023/24 to 2025/26.

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

The suggested strategy for 2023/24 was based upon the treasury officers' views on interest rates, supplemented with the forecasts provided by the Council's treasury advisor, Link Asset Services. The strategy covered:-

- Prudential and Treasury Indicators for 2023/24 to 2025/26;
- Impact of 2012 HRA reform;
- Current Portfolio Position;
- Prospects for Interest Rates;
- Borrowing Requirement;
- Borrowing Strategy; and
- Annual Investment Strategy.

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

Decisions

The Executive:-

(1) Recommends the report to Council.

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

Resources and Governance Scrutiny Committee

Minutes of the meeting held on Monday, 27 February 2023

Present:
Councillor Simcock (Chair) – in the Chair
Councillors Andrews, Good, Lanchbury, Rowles and Wheeler

Also present:
Councillor Craig, Leader of the Council
Councillor Midgley, Deputy Leader of the Council
Councillor Rahman, Statutory Deputy Leader
Councillor Akbar, Executive Member for Finance and Resources
Councillor Bridges, Executive Member for Early Years, Children and Young People
Councillor Hacking, Executive Member for Skills, Employment and Leisure
Councillor Igbon, Executive Member for Vibrant Neighbourhoods
Councillor T Robinson, Executive Member for Healthy Manchester and Adult Social Care
Councillor White, Executive Member for Housing and Development
Councillor Foley, Deputy Executive Member for Environment and Transport
Councillor Stanton, Deputy Executive Member for Finance and Resources
Councillor Leech, Leader of the Lib Dem Group
Councillor Reid, Chair of the Children and Young People's Scrutiny Committee

Apologies: Councillors Davies, Kirkpatrick and B Priest

RGSC/23/13 The Council's Budget 2023/24

The committee considered reports of the Deputy Chief Executive and City Treasurer which provided an update on the Council's financial position following scrutiny of the draft budget proposals and directorate budget plans by all Scrutiny Committees.

The committee received a statement from the Executive Member for Finance and Resources on the Executive's budget proposals and the key issues underlying the budget process. He stated that the budget setting process was not easy, particularly given the austerity measures introduced by the 2010 Conservative-Liberal Democrat coalition government and sustained by subsequent Conservative governments. He explained that Manchester City Council had lost £428million from its budget and witnessed a 3.1% decrease in spending power as a result of this, which was disproportionate to the average across English local authorities. He stated that the Local Government Finance Settlement was better than anticipated but meant that tough financial decisions and cuts were deferred until 2025 and that the government assumed that all local authorities would increase council tax by 4.99%, which was not undertaken lightly by Manchester. He explained that the Council was still anticipating £36.2million of budget cuts between 2023 and 2026 and a £57million budget gap in 2025/26. This would reduce to a gap of £40million after the use of reserves.

He stated that the Council would continue to invest in adult social care and the additional income generated from the 2% precept for adult social care would be used to strengthen the social care market. Investment was also being funded into Making Manchester Fairer, Children's Services, Youth Services, homelessness, building more affordable homes and addressing climate change. He expressed that the proposed budget helped those most in need during the cost-of-living crisis, used reserves prudently and ensured forward planning to sustain essential services for residents.

The committee received a statement from the Leader of the Council on the Executive's budget proposals. She reiterated that the Council did not wish to be in circumstances of having to increase council tax by 4.99% and stated that the Council was forced into the situation due to government expectations. She explained that the budget demonstrated the serious approach taken to the cost-of-living crisis and focused on mitigating the impact of 13 years of austerity and taking a preventative approach to the issues facing residents. She explained that the budget would protect vulnerable residents; ensure that Council services function well; deliver clean, green streets; provide opportunities for young people; and plan for the future to ensure sustainable reserves to mitigate the impacts of future Local Government Finance Settlements.

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

The Chair then invited Chairs of other Scrutiny Committees to highlight issues arising from individual directorate budget plans. In doing so, the Chair of Children and Young People's Scrutiny Committee expressed her anger at central government and their decisions and the impact this had on Manchester residents. She commended the progress made within the Children's Services directorate and acknowledged more could be done if the government provided the appropriate level of funding.

The Chair then invited questions from the committee on the Budget Consultation Outcomes report and the Budget 2023/24 Anti-Poverty and Equalities Impact Assessment report. The following queries and key points were raised:

- Expressing thanks to the Head of Strategic Communications and his team for their work on the budget consultation;
- Noting that the majority of respondents were opposed to increasing council tax, largely due to the impact of the cost-of-living crisis;
- Noting that the Council would ideally not raise any additional income from increasing council tax charges on empty properties as it would lead to a behaviour change and increase the number of properties available in Manchester; and

- Which wards made up the 11 priority wards that received to targeted investment and support due to the impacts of the cost-of-living crisis.

The Head of Strategic Communications advised the committee that two consultations had been undertaken – the first for 8 weeks before Christmas 2022 on the initial proposed council tax increase and the second for 4 weeks until early February on the amended proposals following receipt of the Finance Settlement. He highlighted that the second consultation also sought responses to the proposed increase to Empty Property Premiums and information as to whether a respondent was a property owner, tenant or landlord was also requested. He also stated that significant work had been undertaken to ensure the whole city had an opportunity to contribute to the consultation.

The City Solicitor explained that the Council took a cross-cutting approach to tackling poverty and inequalities. She advised that the template for Equality Impact Assessments had been streamlined and could be amended continuously. She highlighted the recent appointment of a joint Equalities Lead across the Council and NHS, which helped to address and tackle inequalities.

The Director of Inclusive Economy advised that the 11 priority wards included Miles Platting and Newton Heath; Harpurhey; Clayton and Openshaw; Crumpsall, Woodhouse Park; Sharston; Cheetham; Longsight; Moss Side; Levenshulme; and Gorton and Abbey Hey.

The committee then received a statement from the Executive Member for Housing and Development regarding the Housing Revenue Account (HRA) calculations for 2023/24-2025/26 and its use. He stated that the HRA needed to balance over a 30-year period and the government had capped the rent increase for social housing, with the exception of Private Finance Initiative (PFI) properties, at 7% for 2023/24. He acknowledged the challenges that this increase could cause for some tenants, particularly given the cost-of-living crisis and increase in council tax but highlighted the support available to tenants and residents. This included a £1million hardship fund, which had been increased significantly to mitigate the impacts of the cost-of-living crisis and rent increase and would be targeted at those most in need and those not in receipt of housing benefit.

The Executive Member for Housing and Development also explained that there would be an increase in heating charges in April 2023 as a result of rising energy costs in the previous 18 months. This would be reviewed quarterly and adjusted in line with any change to the Ofgem price cap.

Noting that an amendment to the budget had not been received from the Green Party as the main opposition group, the Chair next invited Councillor Leech to present his budget amendment. In doing so, he proposed the following:

1. To allocate a budget of £900,000 to enable the Council to deliver a Council Tax rebate to Manchester residents in receipt of the maximum Council Tax support equivalent to increasing the maximum support from 82.5% to 85%; to be funded through the transfer from the General Fund Reserve.

2. To allocate a budget of £1,000,000 to invest additional resources into highways maintenance, to tackle the backlog of road and pavement repairs and gully repairs, to save money on future accident trip claims and to reduce the ongoing day to day maintenance costs on gully clearing and repairs; to be funded from the Budget Smoothing Reserve.

All proposals in this amendment were spending commitments for 2023/2024 only.

A query on the amendment was raised by the committee regarding the impact of the backlog of road, pavement and gully repairs on residents and why this was a focal point of the amendment. In response, Councillor Leech explained that it was impossible to ascertain how many trip claims could be made against the Council in any given year but that the amendment proposed would mitigate the risk of this by facilitating the expected level of performance in relation to repairs.

The Chair then invited the Executive Member for Finance and Resources to comment on the proposed amendment from Councillor Leech. He accepted the motivations behind the amended proposal to increase the maximum council tax support but commented that around 32,000 households were in receipt of council tax support and would receive a £25 reduction at the point of billing. He stated that the Council was also reviewing the option to increase the maximum council tax support from 82.5% from 2024 and additional funds had been allocated for this year to help those in need of support, including for food and welfare provisions and the cost-of-living and debt advice lines.

He commented that reserves should be used as a last resort where no alternative funding sources were available and highlighted that £15million was being allocated to the Highways service. He stated that progress had been made on the backlog of pothole repairs, with this expected to be fully cleared by summer 2023, and the number of trip claims had reduced. He expressed his view that there was adequate investment and funding for the Highways service to reduce backlogs and mitigate challenges.

The Leader of the Council emphasised the need to be cautious with the use of reserves and commented that a financially prudent approach to the budget had been taken for 2023/24 in order to mitigate the risks anticipated in years 2 and 3 of the budget, where there was a significant funding gap. She also highlighted issues with providing one-off funding and support to residents as this could detrimentally impact any benefits thresholds and eligibility.

Decisions:

That the Resources and Governance Scrutiny Committee

1. endorses the budget proposals as presented for approval by Full Council at its meeting on 3 March 2023; and

2. recommends that Council does not agree to the amendment proposed by Councillor Leech.

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Manchester City Council
Report for Information

Report to:	Executive – 15 February 2023 Resources and Governance Scrutiny Committee – 27 February 2023 Council – 3 March 2023
Subject:	Capital Strategy and Budget 2022/23 to 2025/26
Report of:	Chief Executive and Deputy Chief Executive and City Treasurer

Summary

The purpose of the report is to present the 2022/23 capital programme and forward commitments, alongside the Capital Strategy for the City Council.

Recommendations

The Executive is requested to:

1. Approve and recommend the report to Council, including the projects for Council approval in section 6, and note that the overall budget figures may change subject to decisions made on other agenda items.

2. Note the capital strategy.

3. Note that the profile of spend is provisional, and a further update will be provided in the outturn report for 2022/23.

4. Delegate authority to the Deputy Chief Executive and City Treasurer in consultation with the Executive Member for Finance and Human Resources to make alterations to the schedules for the capital programme 2022/23 to 2025/26 prior to their submission to Council for approval, subject to no changes being made to the overall estimated total cost of each individual project.

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

The Council is requested to:

1. Approve the budget changes for the capital programme noted in section 6.

2. Note the capital programme as presented in Appendix 3 (£443.8m in 2022/23, £426.8m in 2023/24, £199.7m in 2024/25 and £34.1m in 2025/26) which will require prudential borrowing of £551.8m to fund non-HRA schemes over the four-year period for which provision has been made in the revenue budget for the associated financing costs (within limits previously agreed).

3. Note that the profile of spend is provisional, and a further update will be provided in the outturn report for 2022/23.

4. Delegate authority to:

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

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

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

   d) The Deputy Chief Executive and City Treasurer in consultation with the Executive Member for Finance and Human Resources to add qualifying spend to save projects to the capital budget accordingly up to a maximum of £5m in 2023/24 and then £5m per year thereafter.

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

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

Wards Affected: Various

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

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

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

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

The capital programme as presented will require £551.8m (all non-HRA) of prudential borrowing over the period 2022/23 to 2025/26. Provision has been made in the proposed revenue budget for the associated financing costs, and for the revenue contributions to capital outlay (RCCO) which are forecast to be received from the General Fund and HRA.

Financial Consequences – Capital

For the City Council programme, the latest forecast for 2022/23 is £443.8m, including new projects included in this report, of which £255.8m is forecast to be funded from borrowing. Across the forecast period 2023/24 to 2025/26, the forecast is £660.6m, of which £296.0m is forecast to be funded from borrowing.

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Background documents (available for public inspection):

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

Report to the Executive 16th February 2022 – Capital Strategy and Budget 2022/23 to 2024/25
Report to Council 4 March 2022 (Capital Strategy and Budget 2022/23 to 2024/25)
Report to the Executive 16th March 2022 - Capital Programme Update
Report to the Executive 1st June 2022 – Capital Programme Update
Report to the Executive 29th June 2022 – Capital Outturn Report
Report to the Executive 22nd July 2022 – Capital Programme Update
Report to the Executive 14th September 2022 - Capital Programme Update
Report to the Executive 19th October 2022 – Capital Programme Update
Report to the Executive 16th November 2022 – Capital Programme Update
Report to the Executive 16th November 2022 – Q2 Capital Monitoring report
Report to the Executive 14th December 2022 – Capital Programme Update
Report to the Executive 18th January 2023 – Capital Programme Update

1. Introduction

1.1. As part of the suite of budget reports presented on this agenda, Executive and Council are recommended to approve the updated Capital Strategy for 2022-26. This report details the latest position on the Strategy and the governance process.

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

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

1.4. The Capital Strategy provides the framework for the capital budget priorities and investment decisions. The Capital Strategy and Budget should be read in conjunction with the Medium-Term Financial Plan which sets out the priorities for the Revenue Budget.

2. Strategic Context

Economic Context

2.1. The Capital Strategy has been prepared during a time of economic uncertainty. The UK economy continues to be adversely affected by the ongoing impact of the COVID-19 pandemic, the UK's withdrawal from the European Union and the single market, the fallout from the brief tenure of the Truss government and the war in Ukraine. At the time of writing, the ONS's most recent estimate of consumer price index inflation was 9.3%, down slightly compared to earlier in the year but still markedly increased from circa 6% earlier in 2022. The Bank of England base rate increased to 4.0% in February, the 10th increase over the previous twelve months. The UK narrowly avoided recession at the end of 2022, with growth estimated at 0.2% for the month of November 2022, though the Bank of England predicts 2 years of negative growth over 2023 and 2024. At the same time there are some more positive trends forecast over the coming year. The Bank of England expects CPI inflation to fall sharply later in 2023 and return to trend by 2024.

2.2. The pressures on the capital programme are somewhat different to the last year when the sector was still recovering from the impact of COVID lockdowns. This year, inflationary pressure is significantly affecting project costs, and while labour cost increases are still a concern, the most pressing issue is around materials cost increases which are still running at over 20%. Similar to CPI forecasts, construction cost inflation is expected to fall sharply and return to trend over 2023 and into early 2024. Labour cost inflation may persist into 2024 but at a reduced rate of around 5%. The result is that tender prices are tracking inflation, increasing costs by over 10%, though conditions are now easing and again should return to trend, albeit at a higher base.

2.3. More positively, supply and materials issues have largely resolved and no longer appear significant across the industry. While there are some limited exceptions associated with the production of materials requiring high energy cost inputs, as well as increasing costs of transportation and storage, materials supply is generally less of an issue than over the previous year which will contribute to easing inflation. Market conditions forecasts produced by the BCIS (Building Cost Information Service) show that the impact of the latest crises have been less severe than following the 2008 financial crisis, with construction output and pipeline in Manchester remaining relatively strong.

2.4. Manchester is taking advantage of funding opportunities to drive development. It is disappointing that Manchester was not successful in the bid for £20m Levelling Up Funding towards the redevelopment of Wythenshawe Civic Centre. The Council is continuing to seek to maximise grants including the impact of funds such as the Public Sector Decarbonisation scheme.

2.5. Manchester's rising population, boosted by the occupation of new high-quality accommodation around the city centre, continued over the year and Manchester remains one of the fastest growing cities in England with the 2021 census stating a total population of 552,000, although this is likely to be an underestimate with the council's own population model suggestion a population of nearer 587,500. The diversity of our population continues to be driven by a strong and diverse labour market, a growth in city centre living, and Manchester's strong international reputation as a good place to live, work, study, and visit.

2.6. At the same time the economic context described above continues to negatively impact many residents and businesses in the city, with the cost-of-living crisis eroding the resilience of some households, driving up demands on services. Development and capital investment should form part of our response to these conditions, by creating new learning, training and employment opportunities, new services for local people and enhancing public realm and the built environment.

The Greater Manchester Context

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

2.8. A fully refreshed Greater Manchester Strategy was launched in February 2022. The focus of the new strategy is to create a greener, fairer, and more prosperous Greater Manchester, tackling the inequalities that exist in the city-region and which have been worsened by the clinical and economic impact of COVID. The strategy will provide the overarching framework that supports the GM Industrial Strategy, Housing Strategy, Spatial Framework and Internationalisation Strategy.

Our Manchester Strategy

2.9. The Our Manchester Strategy 2016–2025 sets out the future ambitions for Manchester. It details the goals that everyone in our city – our public, private, voluntary and community organisations and our residents – will work on together to put Manchester in the topflight of world cities by 2025. In 2020 we refreshed these priorities to acknowledge and look beyond current challenges and make sure the city achieves its ambition. The reset of our strategy was based on over 3,800 consultation responses and place a renewed focus on young people, our economy, health, housing, our environment, and infrastructure.

2.10. The five themes of the Our Manchester Strategy are:

- A thriving and sustainable city
- A highly skilled city
- A progressive and equitable city
- A liveable and zero carbon city
- A connected city

2.11. Through each priority runs Manchester's commitment to build a more equal, inclusive and sustainable city for everyone who lives, works, volunteers, studies and plays here. Only by working together can we achieve our vision by making an impact on our priorities of making Manchester.

2.12. Manchester's overall strategic aims remain the same, and 2023 will see some significant progress against these objectives:

- Creating a more inclusive economy – capturing the benefits of our growth and connecting more of our residents to the city's success. In 2023 we will develop a new economic strategy for the city that sets out our approach on this agenda.
- Tackling poverty and inequality – the Making Manchester Fairer Action Plan and Manchester's new Anti-Poverty Strategy will start to be delivered over 2023, linking closely to the economy strategy described above.
- Housing – Manchester's new Housing Strategy sets out how we will increase the supply of affordable housing and diversify tenure.
- Climate change and zero carbon – the refreshed climate change action plan sets out how we will achieve our ambition of being a zero-carbon city by 2038.

3. Priority areas for capital programme

3.1. The Council's capital investment priorities reflect the Our Manchester Strategy, and are:

3.2. ***Investment into neighbourhoods and communities***

- to support new and expanded high quality primary and secondary school facilities for a growing population. The provision of schools, expansion for additional places and maintenance are funded by government grant.
- sustaining core community assets such as parks, leisure facilities, community facilities and libraries for Manchester residents. There are a number of existing funding programmes for investment such as the Parks Development Plan.
- to support businesses and residents to create thriving district centres with appropriate retail, amenities and public service offer;
- to enable invest to save investment within Homelessness and social care provision and market intervention where required.

3.3. ***Investment in growth and regeneration – to support employment growth through a strengthening and diversification of the economic base and efficient use of land.***

- Catalytic in supporting recovery and economy and delivery of the Recovery Plan
- Delivery of major regeneration schemes in the north and east of the city: North Manchester including North Manchester General Hospital, Victoria North, Back of Ancoats and Holt Town
- Eastern Gateway
- To promote the role and continuing growth of the City Centre as a major regional, national and international economic driver.
- Securing investment for an internationally competitive cultural and sporting offer

3.4. ***Delivery of the Zero Carbon Action Plan*** and achieving net zero carbon by 2038 at the latest in the city, as set out in the Zero Carbon section of this report. This will need to cut across and incorporated into all the Council's investment priorities and maximise all available funding sources.

3.5. ***Delivery of the Housing Strategy*** to provide an expanded, diverse and affordable housing offer, creating the conditions to increase the supply of affordable and social housing, and that all new homes in the city are supported by good local public services and an accessible public transport infrastructure.

3.6. ***Maintaining our corporate assets.*** Investing in highways and road safety, the Asset Management Plans, and ICT, alongside seeking to maximise the use of the corporate and investment estate, to ensure Manchester is a well-managed council. The highways and road safety programmes are largely funded by government grant with additional investment from borrowing to deliver a more comprehensive maintenance programme.

3.7. ***Investment in new and upgraded transport infrastructure,*** including delivering the Highways Investment Programme, and further investment in schemes which support modal shift and active travel. Accessing grant funding has been key to the delivery of the active travel priorities.

3.8. The above sets out ambitious priorities. As referenced above a significant proportion of the funding available to deliver the Our Manchester ambitions is from external funding and grants and through maximising the use of capital receipts and leveraging value of land assets, as shown in the graph in paragraph 10.11. The internal resources available must be used sustainably and Council must set a capital budget which is affordable within its revenue budget and some difficult prioritisation decisions will be required.

4. Financing the Capital Strategy

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

4.2. Potential capitalisation flexibilities including the use of capital receipts to support revenue expenditure for service transformation have not been used, but this position will continue to be reviewed in the light of the significant changes the Council is expected to deliver.

4.3. The existing programme represents significant investment in the city and contains projects at all stages of development and build. The volatility in inflation and financial markets has led to increased construction and financing costs and whilst the current approved programme remains affordable, these pressures have restricted future borrowing capacity, available for new investment.

4.4. The following principles will be followed to ensure that the limited capital resources available are prioritised to achieve best value for money:

- The Council will not invest in capital schemes purely for yield, although some schemes will be financed all or in part from returns on investment. Usually, investment will be within the local authority area although there may be exceptions if it is within the relevant economic area and meeting a key regeneration or zero carbon objective. The Prudential Code and Public Works Loan Board (PWLB) criteria will be followed.
- Assets will be reviewed to identify assets to realise capital receipts to support future investment priorities.
- If projects support corporate priorities, including both low carbon and social value, then they will be supported if:
  - The project is fully funded by external grants and contributions;
  - The project generates additional capital receipts to the Council, so the impact on resources is minimal; or
  - The project will generate a robust net income stream or revenue savings that is sufficient to meet the associated capital financing costs and therefore be funded on an invest to save basis.

- Schemes will also have a stronger chance of progressing if they bring additional grants and contributions, can support the realisation of additional capital receipts for investment and they are funded through invest to save proposals.
- Additional borrowing will only be considered if there are no other funding available and the project is of critical importance. The impact on the Council's revenue budget will form part of the decision making. Work will continue to identify how other income sources such as the use of external grants can be maximised, including how fragmented government funding streams can bought together to complement investment proposals.

4.5. The Capital Strategy has been developed to ensure that capital expenditure and investment decisions are taken in line with Council priorities and to take account of stewardship, value for money, prudence, risk, sustainability, proportionality and affordability. It will be ensured the decisions are within the economic powers of the Council and are underpinned by strong governance arrangements that underpin decision making.

4.6. The Council's Capital Financing Requirement required to deliver the capital programme is forecast to be £2.2bn by 2025/26. This ranks as one of the highest levels of borrowing amongst local authorities in absolute terms and as c. £4k per head. Steps have been taken to ensure that this is prudent and affordable, including the establishment of the capital financing reserve to ensure that the increased borrowing for the Our Town Hall project does not become an additional burden on the revenue budget.

5. Development of the Capital Programme

5.1. The Capital Programme for 2023/24 will be developed within the priority areas outlined above. The programme will predominately include the continuation of existing schemes and commitments but will also include the following investment.

5.2. The inclusion of government grant and external funded maintenance programmes and schools for Highways and Schools.

5.3. The Council will continue to bid for external funding to support the delivery of key priorities including supporting climate change, growth and regeneration and housing ambitions. The first phase of This City is underway, and the delivery of an affordable housing offer remains a key priority.

5.4. Alongside the current funding in the programme for libraries, parks, culture and leisure there will be a continued focus on service delivery and community assets. This will be supported by £5m capital per annum borrowing for service and community assets and the establishment of £700k funding for urgent small capital/revenue improvements - such as additional bins and broken swings. The criteria is being finalised for the small fund so prompt and equitable access can be achieved.

5.5. A rolling Highways and Corporate Estates programme with a further one-year investment budget in addition to government grant funding. Schemes for inclusion in the capital programme are set out below to support the annual business as usual for highways investment and road safety and delivery of the Council's asset management plan.

5.6. Provision to ensure there is flexibility for key strategic acquisitions that unlock developments.

5.7. Proposed investment in neighbourhood infrastructure, and recognition of new grant funding available to the Council to house refugees.

5.8. A summary of the schemes, funding and spend profile can be found at appendix 2 and are summarised below. The total increase to the programme would be £58.2m. These schemes are included in the proposed programme in section 6 and are affordable within existing resources.

For Council approval:

- Growth – Asset Management Plan. To fund a further year of the asset management programme to enable capital replacement and improvement works across the Council's operational and heritage assets and buildings where the Council has landlord responsibilities. A budget increase of £15.0m is requested funded from capital receipts.

- Highways – Investment Plan. To fund a further year of the Highways investment plan, to support the Council's road (£8m), footway (£2.8m) and drainage network (£2m). External funding will be used to continue works on the patching programme, repairing actionable defects. A budget increase of £17.5m is requested, funded from £4.7m of government grant and borrowing of £12.8m. Once the final government grant is known the budget will be adjusted accordingly.

- Growth – Strategic Acquisitions. To set aside funding for potential strategic acquisitions that could support existing or future development and regeneration schemes. A budget increase of £3.0m is requested, funded from Capital Fund.

- Housing - This City. The first phase of This City will deliver the Council's commitment to build LHA rent homes within the City Centre. Increasing the supply of affordable housing is a key priority for the Council and this scheme will ease the pressures on temporary and dispersed accommodation budget. The Council is delivering the first phase through PWLB and capital receipts funding on an invest to save basis with 30% of the units being at LHA rent and is due to be completed in 2025, with the contract been let to the developer to build out the scheme.

The current budget approval is for £33.0m, for fees, design, construction and contingencies. The tender prices were significantly over the budget allocation with the housing market heavily impacted by inflation. After a significant programme of value engineering, whilst still protecting the integrity of the scheme including the LHA rented units and low carbon standards, the construction cost has been reduced to £45.0m. This is £12m above the current budget approvals. The tender price can only be held until mid-March and any further delays are likely to see costs increasing further. Work has been carried out to identify the most cost-effective funding package and it is proposed the scheme will be funded by £22m of capital receipts and £1m of Homes England grant funding, with a decrease in the previously approved borrowing of £11m. A budget increase of £12m funded by capital receipts is therefore requested.

The business plan and financial model has been reassessed in the light of the revised costs and funding package. Whilst a positive internal rate of return is still delivered, and the scheme is still financially viable it is recommended the business plan and proposed approach for future phases is bought back to Executive for approval.

- Neighbourhoods – Infrastructure Renewal Fund. Investment in neighbourhood infrastructure, specifically pathways, street furniture such as seating, fencing and signage, and children's play areas. The funding will be used across all Council wards. A budget increase of £5.0m is requested, funded from borrowing.

- Housing – Local Authority Housing Fund. The Government has provided grant funding of £3.267m, to be match funded by £3.408m from Council resources, to purchase homes to support the settling of refugees from Afghanistan and Ukraine to the UK. A budget increase of £6.675m is requested, funded from £3.267m of capital grant and £3.408m of borrowing.

6. The Capital Programme

6.1 The existing capital programme covers both the purchase of new long-term assets and improvements to existing ones, such as buildings, roads, and council housing. Each year we need to spend more money to ensure our assets are still suitable for use in the provision of services and to invest in new assets to meet our changing needs and requirements. The Council's estate is vast with multiple assets.

6.2 Each year the capital programme includes a number of schemes that relate to the routine upkeep of the Council's asset infrastructure. The assets maintained are diverse and are crucial to delivering services to residents across the city:

Public Sector Housing
- 12,528 properties (exc. PFI)
- 213 Homelessness bed spaces and 60 units

Schools
109 Maintained Local Authority Schools
75 Academies
53,235 Primary places
33,339 Secondary Places

Estate Asset Management
356 MCC operational buildings
(inc 17 Leisure Centres, 13 Libraries and 20 Hostels)
1,688 third party occupations including over 150 industrial units

Highways Services
- 1,368 kms of Highways
- 260 kms of bike lanes
- 350 bridges and structures
- 2,668 kms of Footways
- 118,800 drainage gullies

6.3 To meet statutory requirements and deliver Council priorities new long-term assets require ongoing investment. During 2022/23 the Council has delivered several new schemes including:

- Gorton Health Hub, a new Health and Care Hub in the heart of Gorton, including a GP practice, rooms for Manchester Adult Education services (MAES), Gorton Library, mental health services and a Job Centre Plus
- Co-op Academy Belle Vue Secondary school delivering 1200 new school places
- Wythenshawe Cycling Hub, including learn to ride area, 3.1km of family trails and 1.5km of skills trails
- Mayfield Park
- Blakely Cremator replacements

6.4 The capital programme 2022/23 to 2025/26 shown below includes the existing programme and approved schemes only. The programme is based on the forecast as at the end of December 2022, which is reported elsewhere on the agenda, and the additional proposed schemes noted above.

Forecast Budgets	2022/23	2023/24	2024/25	2025/26	Total	*Total 23/24-25/26*
	£m	**£m**	**£m**	**£m**	**£m**	***£m***
Manchester City Council Programme						
Highways	37.5	44.5	6.0	8.2	**96.2**	***58.7***
Neighbourhoods	73.3	34.3	5.8	2.1	**115.5**	***42.2***
The Factory and St John's Public Realm	60.9	18.5			**79.4**	***18.5***
Growth	84.9	118.5	35.9	3.7	**243.0**	***158.1***
Town Hall Refurbishment	68.7	86.4	46.6		**201.7**	***133.0***
Housing – General Fund	17.4	38.8	33.1	8.5	**97.8**	***80.4***
Housing – HRA	32.4	49.4	44.0	11.6	**137.4**	***105.0***
Children's Services (Schools)	43.6	23.3	3.6		**70.5**	***26.9***
ICT	4.3	2.6			**6.9**	***2.6***
Corporate Services	15.0	1.5	0.5		**17.0**	***2.0***
Total (exc. Contingent budgets)	**438.0**	**417.9**	**175.5**	**34.1**	**1,065.6**	***627.6***
Contingent Budgets	5.8	8.9	24.2		**38.9**	***33.0***
Total Programme	**443.8**	**426.8**	**199.7**	**34.1**	**1,104.4**	***660.6***

6.5 The above programme is large and complex, with around 300 schemes to be delivered across the next three years. Major schemes include:

- ***Highways Services –*** ongoing maintenance programme for carriageways, footways, drainage and structures, Active Travel Schemes and Road Safety schemes
- ***Neighbourhoods -*** Abraham Moss Leisure Centre, Hough End Football Hub development, Manchester Aquatics Centre Refurbishment, National Cycling Centre Refurbishment, Galleries Collection Housing & Remediation Works, and the Parks Development Programme.
- ***The Factory and St John's Public Realm***
- ***Growth and development –*** Asset Management Programme maintaining the Council's assets, Carbon Reduction Programme, Campfield Redevelopment and Home Arches utilising Levelling up Fund, and House of Sport.
- ***Town Hall and Albert Square Refurbishment programme***
- ***Housing –*** Major adaptations for people with disabilities through the Disabled Facilities Grant, This City Housing Delivery Vehicle, investment in the Council's public sector housing estate and regeneration works in Collyhurst.

- ***Children's Services –*** Basic Need programme providing additional school places to meet increasing pupil numbers, including the City Centre Primary School and Co-op Academy in Belle Vue Secondary school, Varley Street Special Educational Needs and Disabilities (SEND) school and the School Maintenance Programme.

- ***Information and Communication Technology (ICT) -*** Network Refresh Programme updating the Council's wider area network, local area network and wi-fi.

- ***Adults, Children's and Corporate Services -*** Gorton District Centre providing integrated health and community services

6.6 The phasing of schemes will be impacted by market challenges and, in the context of a challenging delivery market, particularly due to supply issues and inflation. On a project-by-project basis there will be optimism bias with regards to how quickly projects can progress and be delivered, which means that the forecast for 2023/24 is highly ambitious.

6.7 The programme contains some contingent budgets reserved for a particular purpose, such as Education Basic Need funding, the ICT Fund and the budget for inflation pressures. These will be allocated when the individual schemes are approved through the Council's capital approval process.

7. Governance

7.1 The existing capital approval process has been in place for five years and has been reviewed to ensure it remains fit for purpose and reflects best practice. The changes will deliver a "top-down" as well as "bottom-up" approach to maximise the benefit that can be gained from the more limited capital resources. The process will build in a stronger approach to planning for place and have a greater focus on neighbourhoods and communities.

7.2 Key changes include:

- Focus on Prioritisation
- Creation of Forward Plan
- Capital Project Initiation Form (due diligence template)
- Improved Place Focus
- Improvements to Project Governance

Further details of the proposed changes can be found in Appendix 1

7.3 The capital programme will continue to be managed and updated on a rolling basis. The capital budget process is being refined. The priorities will be set each year as part of the budget cycle and the frequency of capital budget requests to Executive and Council will be reduced from monthly to quarterly.

8. The Strategic Asset Management Plan

8.1 The Council's Strategic Asset Management Plan (SAMP) provides a structured approach to the prioritisation of existing assets, potential acquisition, and identifying assets for disposal, ensuring a co-ordinated process for decision making. Capital receipts realised can be used to support the wider capital programme.

8.2 The Council's assets include those held for development, and the operational estate and community assets. The Council's operational estate comprises 369 buildings, including:

- The corporate estate comprises of 40 buildings, which includes 3 buildings of multiple occupancy (including Gorton Hub), 15 offices and 16 depots, plus a coroner's court and event space.
- There are many Neighbourhood Facilities, including 110 buildings in parks, 14 libraries, 17 leisure centres and 3 museums/galleries.
- The Council leases out 19 buildings to the Voluntary Community Sector
- The estate also includes 6 prestige buildings which comprise Manchester Aquatic Centre, The Velodrome, National Football Museum, Bridgewater Hall, HOME and Factory International.

8.3 Condition surveys are being commissioned for the community estate, including those where the properties are occupied by community and other groups rather than the council. This will provide a more comprehensive approach to neighbourhood assets. Investment priorities in the operational estate will be informed by condition surveys, and options will be reviewed to align any works and funding with zero carbon initiatives. The estate also includes larger assets such as Bridgewater Hall, where the Council has repairing responsibilities as landlord and the associated investment required will need to form part of the Asset Management Plan.

9. Zero Carbon Capital Investment

9.1 The City Council has declared a climate emergency and is seeking to become carbon neutral by 2038 at the latest, requiring the Council to reduce its direct carbon dioxide emissions by at least 50% by 2025.

9.2 An approach to reducing carbon emissions has been embedded into all capital planning and investment. Changes in how buildings are operated alongside behavioural changes such as recycling are important but must be supported by capital investment aimed at reducing carbon.

9.3 The Council has an important leadership role working alongside the Manchester Climate Change Partnership and Greater Manchester Combined Authority (GMCA). This includes the development of the Local Plan and Manchester Low Carbon build standard for new developments planned for 2023, the delivery of the Green and Blue infrastructure plan and other related pieces of work. Our direct investment will include work such as rolling out the learning from West Gorton Park into new developments including Victoria North.

9.4 In 2021, the Council formally adopted the Manchester Low Carbon Build Standard for all new developments directly delivered by the council, following its endorsement by the Manchester Climate Change Agency. The Standard sets minimum expectations which should be followed by all Council schemes, with zero carbon exemplar schemes actively encouraged.

9.5 A significant challenge remains the retrofit of the city's housing stock. The Council has produced some early proposals for retrofitting the city's housing stock, and work continues apace on this agenda

9.6 The majority of the Council's carbon emissions are from its existing corporate estate and own and partner managed housing stock. Significant investment will be required to bring these buildings up to carbon efficient standards which represents a major opportunity to establish Manchester as a centre for green technology and services, and to work with local skills providers to ensure that the city's residents are given the best possible opportunities to access these new careers.

9.7 The delivery of the Council's Climate Change Action Plan (CCAP) requires both revenue and capital investment from multiple funding sources over multiple financial years. To date, the Council invested approximately **£227m** to deliver the 5-year Climate Change Action Plan. The breakdown of this is as follows:

- **£109.2m** via the Council (including investment in LED streetlighting, Civic Quarter Heat Network, Estates Carbon Reduction, purchase of Electric Refuse Collection Vehicles, Tree Planting, social housing new low carbon homes & retrofit, education setting summit and new climate change posts). Including additional revenue secured as part of 2022/23 budget setting to provide additional staffing capacity (12 new posts) to support delivery of the CCAP – more details on what these posts are delivering is provided in the table below
- **£70.1m** from UK Government (including funding for Mayfield Park, Urban Tree Challenge Fund, Public Sector Decarbonisation Scheme, Active Travel, Social Housing Development Fund, HNIP grant contribution to Civic Quarter Heat Network)
- **£35.4m** from the GMCA (including Active Travel, GM Mayors Challenge Fund)
- **£4.3m** from the European Union (including ERDF funded Unlocking Clean Energy, Horizon 2020 funding for West Gorton Park, URBACT C-Change and Zero Carbon Cities projects and e-cargo bikes).
- **£4.3m** from partners (including One Manchester contribution to the Social Housing Decarbonisation Fund)
- **£3.6m** from the Manchester Climate Change Agency (including In Our Nature funding from the National Lottery).

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

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

9.9. Capital investment aimed at reducing carbon must focus on projects which will make the biggest difference in order to make the most effective use of our resources.

9.10 The Council is bidding for funding to explore place-based carbon intervention, which could leverage in external financing. Such partnerships will be critical in achieving the zero-carbon goal across the city, as the Council will not be able to fund all the investment required.

10. Capital Financing

10.1 There are a number of funding streams available to fund capital expenditure. These include external grants and contributions, revenue funding, capital receipts and prudential borrowing. Capital receipts are ring-fenced, under legislation, to fund future capital expenditure (or repay long term borrowing) and cannot be used to fund the revenue budget.

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

10.3 The Council also operates the following fund restrictions:

- Housing capital receipts (both Housing General Fund and Housing Revenue Account) are reserved for use on new Housing projects;
- Right to Buy receipts will be retained within the HRA unless there is a specific identified housing project outside of the HRA where they can be better applied
- General Fund capital receipts will be used in the first instance to support the Asset Management Programme although some receipts may be ringfenced for reinvestment if linked to specific development or project
- Grants received will be used for the specific purpose intended, even if the terms of such grants are not restrictive, unless alternative use promotes the same aims.

Prudential Borrowing

10.4 The use of prudential borrowing allows the Council to spread the cost of funding the asset over its useful economic life. Using prudential borrowing increases the Council's capital financing requirement (CFR) and will create revenue costs through interest costs and minimum revenue provision (MRP). Where expenditure is funded through borrowing there is a requirement to make a minimum revenue provision towards the repayment of the debt. This ensures that the revenue cost of repaying the debt is spread over the life of the asset, similar to depreciation. The Council's MRP policy is contained within the Treasury Management Strategy Statement.

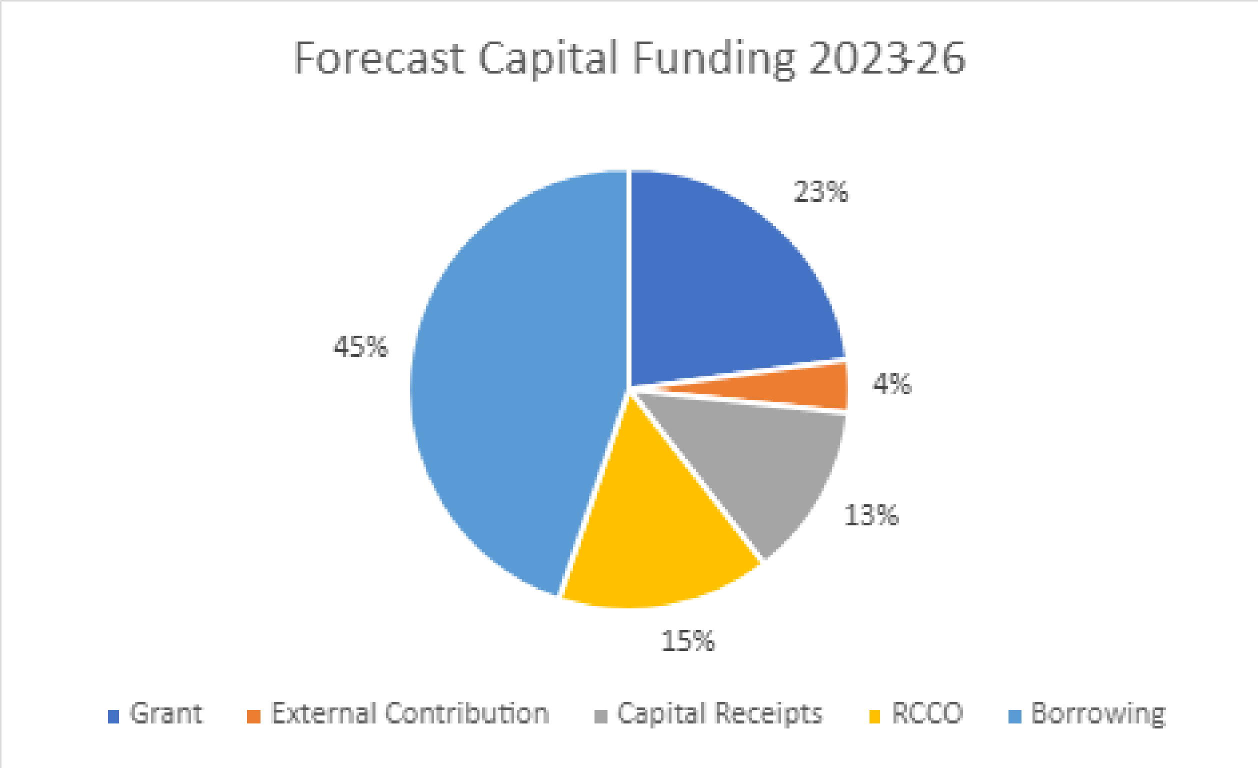
10.5 The estimated financing costs for the capital programme and existing debt have been calculated as part of the budget process. The proposed programme and the existing debt liabilities are affordable within the existing revenue budget. There is a finite level of borrowing that the Council can undertake to remain affordable and meet the Prudential Indicators (which are included in the Treasury Management Strategy). In line with the Prudential Code, the Local Authority must have explicit regard to option appraisal and risk, asset management planning, strategic planning, and achievability of the forward plan. To achieve this the funding principles and governance arrangements set out in this report are applied and all schemes are reviewed so that the revenue consequences and capital financing costs are understood and budgeted for.

10.6 Borrowing decisions are taken separately for the General Fund and HRA. For the HRA it is depreciation rather than MRP which is incurred.

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

	2022/23 forecast	**2023/24 forecast**	**2024/25 forecast**	**2025/26 forecast**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**
Grant	94.4	110.6	36.7	3.6	**245.3**
External Contribution	26.6	17.4	0.8	7.0	**51.8**
Capital Receipts	31.0	43.2	32.7	8.6	**115.5**
Revenue Contribution to Capital Outlay	36.0	46.9	45.5	11.6	**140.0**
Borrowing	255.8	208.7	84.0	3.3	**551.8**
Total	**443.8**	**426.8**	**199.7**	**34.1**	**1,104.4**

10.8 The chart below shows the funding forecast for 2023-26, and highlights the required level of borrowing, as well as the reliance on external grants and contributions to fund capital activity.



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

10.10 The current Housing HRA programme does not require prudential borrowing, but it is likely that new schemes will, and this will be reported as part of the decision-making process. Schemes are currently financed through the use of the cash backed reserves within the HRA. At the point these reserves are fully utilised additional borrowing will be required with additional financing costs incurred.

10.11 A number of the schemes in the approved programme are funded by borrowing on an invest so save basis and will generate revenue savings which also fund the financing costs. Further invest to save investment opportunities may arise, and delegated authority is given to the Deputy Chief Executive and City Treasurer in consultation with the Executive Member for Finance and Human Resources to increase the capital budget accordingly. The delegation is restricted to an annual limit of £5,000,000. This is on the understanding that the costs of borrowing (interest and principal) of any additions are financed in full by additional income, revenue budget savings, or cost avoidance.

10.12 The final capital forecast will be reported to Council in March and will include any changes to the financing position alongside the impact of any changes in the delivery of the 2022/23 programme.

11. Prudential Indicators

11.1 The prudential indicators for the Council, including the treasury management indicators, are shown as part of the Treasury Management Strategy Statement elsewhere on the agenda. These will be monitored throughout the year and will be reported to members as part of the regular capital monitoring.

12. Conclusions

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

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

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

13. Contributing to a Zero-Carbon City

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

13.2 For some projects, the aim of the investment will be to reduce the City's carbon impact, as noted above.

14. Contributing to the Our Manchester Strategy

(a) A thriving and sustainable city

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

(b) A highly skilled city

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

(c) A progressive and equitable city

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

(d) A liveable and low carbon city

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

(e) A connected city

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

15. Key Policies and Considerations

(a) Equal Opportunities

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

(b) Risk Management

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

(c) Legal Considerations

None in this report.

15. Appendices

Appendix 1 - Capital Approval Process
Appendix 2 - Proposed Amendments to the Capital Budget

Appendix 1 – the capital approval process

Proposed Capital Approval Process

1.1 As outlined in the Capital Strategy, the capital approval process has been reviewed, with changes proposed to ensure it remains fit for purpose. This appendix details the process, and highlights the changes proposed. The revised process is shown at figure 1 below, with the changes proposed detailed below.

The Approval Process

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

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

1.3 The business case must be agreed by the relevant directorate board and supported by the relevant Executive member prior to submission to the Capital Peer Review Group and the Capital Investment Group.

Forward Plan and scheme initiation

1.4 *Forward Plan* - A key objective of the changes is to provide a strong strategic top down as well as bottom-up approach to the development of the future programme. This will ensure that all scheme proposals will be considered together, as part of a newly developed Investment Forward Plan (pipeline), so that only those that are key priorities are taken forward to full business case submissions. The forward plan will be reviewed half-yearly for new projects. This will ensure that the maximum benefit is gained from council resources. A member and senior officer led Capital Investment Group will be established to regularly review the project pipeline, alongside the capital financing forecast.

1.5 *Capital Project Initiation Form (due diligence template)* - To support more robust decision making at the initial stages a Capital Project Initiation Form will be completed for a scheme detailing the associated assumptions around benefits, costs and links to strategic priorities, replacing the current Checkpoint 1. This will support greater scrutiny of projects at the inception stage and allow a more holistic approach to developing the full business case by allowing other services to comment at that stage.

1.6 *Place Focus* - as part of the forward plan development there will be an increased place focus. This will increase the neighbourhood focus, recognising the impact of capital investment on place. Neighbourhood management teams will be invited to scrutinise projects at the inception stage, to ensure they align with neighbourhood plans.

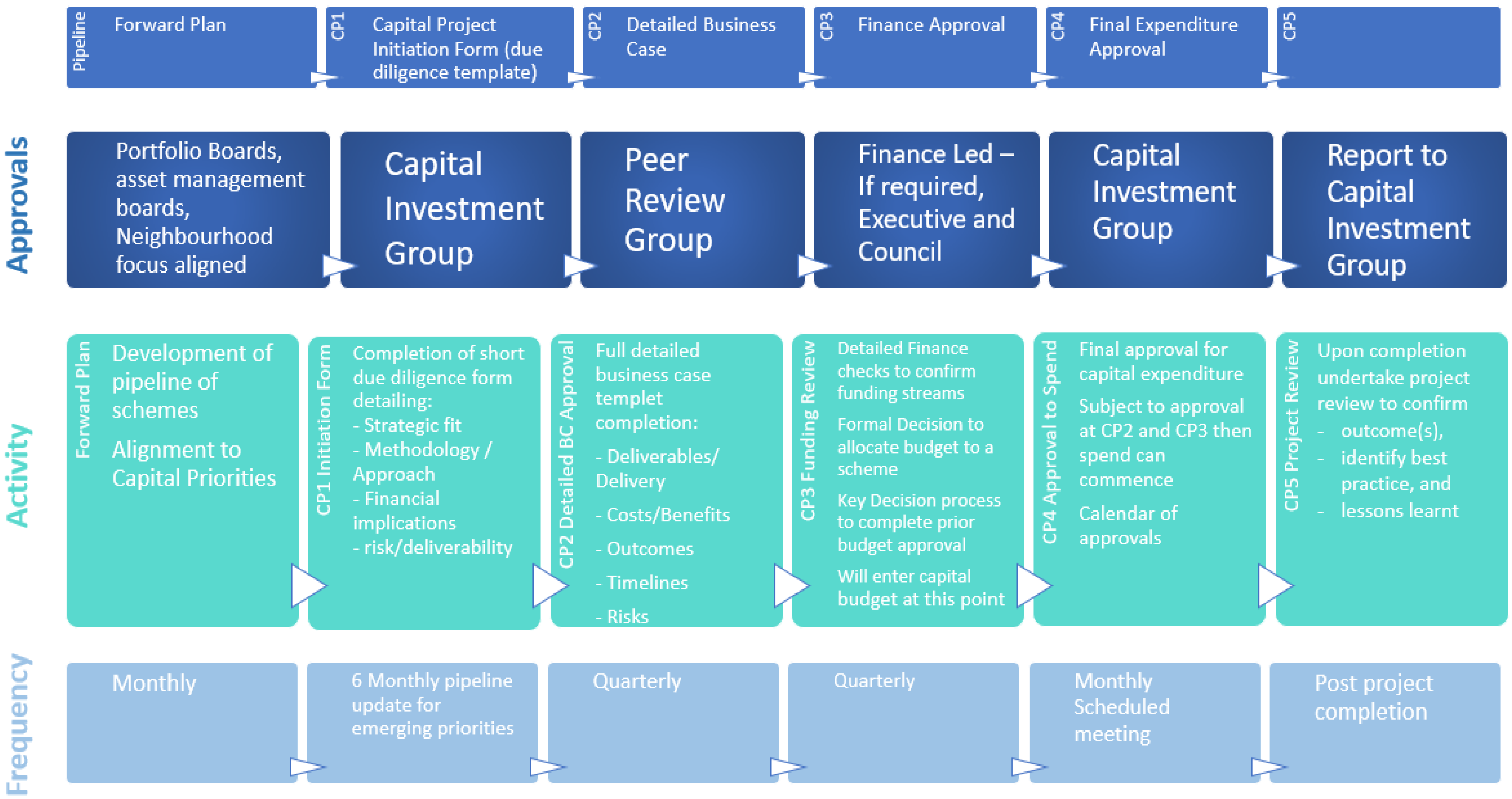
Project Governance

1.7 *Creation of Capital Investment Group* - The review of the existing process identified that developing member involvement and strengthening the prioritisation process for capital investment was critical to taking the programme forward, and that whilst the existing Capital Strategy Board provided a view to SMT members of the investment proposals, the structure of reviewing schemes did not support a wide-ranging view of the programme or potential future investments. A member and senior officer led Capital Investment Group will be established to regularly review the project pipeline, alongside the capital financing forecast.

1.8 *Capital Peer Review Group* - Any capital investment business case proposal will be peer reviewed and within the Council there are commercial and public sector professionals who carry out this work. The approval review process will create a multidisciplinary Capital Peer Review Group to meet quarterly, to provide more robust challenge to business case investment proposals (Checkpoint 2), and to ensure that the benefits ascribed to the projects are realistic and achievable. Where required external advice will be commissioned to perform due diligence or to support the creation of the business case. External advisors are also used for material projects that have a level of risk associated with them.

1.9 *Key decisions* - Until November 2022, key decisions for capital expenditure were taken at the point that expenditure is about to be incurred. This limited effective scrutiny, which should be at the point the project is approved and added to the capital budget. Therefore, the Council’s constitution was altered to make the key decision at the point the budget increase is approved. This would enable scrutiny at an earlier stage of a project and support better decision making.

Proposed Capital Approval Process and Governance –



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

Requests for Adjustments to the Capital Budget Provision							
Dept	**Scheme**	**Funding**	**2022/23**	**2023/24**	**2024/25**	**Future**	**Total**
			£'000	**£'000**	**£'000**	**£'000**	**£'000**
Council Approval Requests							
Growth and Development	Asset Management Programme	Capital Receipts		15,010			15,010
Growth and Development	Strategic Acquisitions	Capital Fund		3,000			3,000
Neighbourhoods	Infrastructure Renewal Fund	Borrowing		5,000			5,000
Highways Services	Investment Programme	External Contribution		4,700			4,700
Highways Services	Investment Programme	Borrowing		12,800			12,800
Private Sector Housing	This City	Capital Receipts			22,000		22,000
Private Sector Housing	This City	Borrowing			(11,000)		(11,000)
Private Sector Housing	This City	Government Grant		1,000			1,000
Growth and Development	Back of Ancoats Mobility Hub and Public Realm	Government Grant		(1,000)			(1,000)
Private Sector Housing	Local Authority Housing Fund	Government Grant		3,267			3,267
Private Sector Housing	Local Authority Housing Fund	Borrowing		3,407			3,407
Total Council Approval Requests			**0**	**47,184**	**11,000**	**0**	**58,184**
Total Budget Adjustment Approvals			**0**	**47,184**	**11,000**	**0**	**58,184**

Please note that the additional budgets for 2022/23 are not included in the Capital Monitoring report for quarter 3, as they are new approvals.

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Manchester City Council
Report for Resolution

Report to:	Executive – 15 February 2023 Resources and Governance Scrutiny Committee – 27 February 2023
Subject:	Treasury Management Strategy Statement 2022/23, including Borrowing Limits and Annual Investment Strategy
Report of:	Deputy Chief Executive and City Treasurer

Summary

To set out the proposed Treasury Management Strategy Statement and Borrowing Limits for 2023/24 and Prudential Indicators for 2023/24 to 2025/26.

Recommendations

The Executive is requested to:

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

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

The Council is requested to:

(1) Approve the proposed Treasury Management Strategy Statement, and in doing so approve the following:

- Borrowing Requirements listed in Section 7 of this report;
- Borrowing Strategy outlined in Section 10;
- Annual Investment Strategy detailed in Section 11;
- Prudential and Treasury Indicators listed in Appendix A;
- MRP Strategy outlined in Appendix B;
- Treasury Management Policy Statement at Appendix C; and
- Treasury Management Scheme of Delegation at Appendix D

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

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

Wards Affected - All

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

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

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

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

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

Financial Consequences – Capital

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

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Background documents (available for public inspection):

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

- Capital Strategy and Budget 2022/23 - 2025/26 report to Executive 15 February 2023
- CIPFA Prudential Code 2021
- CIPFA Treasury Management Code of Practice 2021

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

1. **Introduction**

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

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

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

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

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

Treasury Management Strategy for 2023/24

1.6 The suggested strategy for 2023/24 is based upon the treasury officers' views on interest rates, supplemented with market forecasts provided by the Council's treasury advisor, Link Asset Services.

The strategy covers:

Section 1:	Introduction
Section 2:	CIPFA Definition of Treasury Management
Section 3:	Statutory and other Requirements
Section 4:	Prudential and Treasury Indicators for 2022/23 to 2024/25
Section 5:	Impact of 2012 HRA reform
Section 6:	Current Portfolio Position
Section 7:	Prospects for Interest Rates
Section 8:	Borrowing Requirement

2 CIPFA Definition of Treasury Management

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

3 Statutory and other requirements

Statutory requirements

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

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

3.3 The Department for Housing, Communities and Local Government (DHCLG) issued revised investment guidance which came into effect from the 1 April 2010. In 2017 the Department, now the Ministry of Housing Communities and Local Government (MHCLG) further updated its guidance on local government investments. CIPFA responded to these revisions by issuing an updated Code of Practice on Treasury Management and the Prudential Code in 2021.

CIPFA requirements

3.4 The CIPFA Code of Practice on Treasury Management has been adopted by the Council. This strategy has been prepared in accordance with the revised December 2021 Code.

3.5 The primary requirements of the Code are as follows:

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

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

Balanced Budget Requirement

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

- increases in interest charges caused by increased borrowing to finance additional capital expenditure;
- increases to the minimum revenue provision; and
- increases in running costs from new capital projects are limited to a level which is affordable within the projected income of the Council for the foreseeable future.

4 Prudential and Treasury Indicators for 2023/24 to 2025/26

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

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

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

4.4 The full set of Treasury limits and Prudential Indicators recommended by the Code and used by the Council, together with their suggested levels for 2023/24 is noted in Appendix A of this report.

4.5 Under the revised Prudential and Treasury Management Codes, there are two new indicators introduced this year. They are:

- Net income from commercial and service investments to net revenue stream; and
- Liability benchmark.

4.6 The first new indicator is an indicator of affordability and proportionality, reflecting the scale of the revenue budget which is supported by income generated from non-treasury management investments, and which could be affected by changes to the economy and the financial environment.

4.7 The second indicator is a projection of the amount of loan debt outstanding that the authority needs each year and shows the gap between existing debt and future borrowing needs. It highlights the maturities of future debt needed so that future debt matches future liabilities.

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

5 The Housing Revenue Account – Impact of 2012 HRA Reform

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

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

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

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

6 Current Portfolio Position

6.1 The forecast portfolio position for the end of the current financial year is shown below. The short-term borrowing taken during the pandemic has been refinanced with long term debt from the PWLB, with further PWLB taken to fund the capital programme.

6.2 The Council's forecast treasury portfolio position at 31st March 2023 is:

Table 1	Principal			Av Rate
	GF £'m	HRA £'m	**Total £'m**	%
Long Term Borrowing				
PWLB	500.0	0.0	**500.0**	2.33
Market	330.0	60.7	**390.7**	4.44
Stock	0.9	0.0	**0.9**	4.00
SALIX	6.8	0.0	**6.8**	0.00
HCA	8.5	0.0	**8.5**	0.00
	846.1	60.7	**906.8**	
Short Term Borrowing				
Other	141.3	0	**141.3**	3.51
Gross Debt	987.4	60.7	**1,048.1**	
External Investments	0.0	0.0	**0.0**	0.0

Internal Balances (GF/HRA)	52.9	(52.9)	0	0.0
Net Debt	1,040.3	7.8	**1,048.1**	

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

6.4 The Council's debt is comparatively high compared to other local authorities, due to both the relative size of the authority and the relatively high levels of capital expenditure funded by borrowing in recent years, for example the Our Town Hall refurbishment and the highways maintenance programme. A key element of the treasury management strategy is that debt should be both proportional and affordable, so that the debt costs associated with it are contained within existing revenue resources. To achieve this, the Council's balance sheet is monitored throughout the year, with debt management scenarios reviewed to understand the risks to the Council of changes in interest rates, for example. Decisions taken on new debt seek to balance market conditions with long term affordability.

6.5 The long-term forecast for external debt in comparison to the Capital Financing Requirement, known as the Liability Benchmark, is shown at Appendix 1. This highlights the level of internal borrowing, where the council is using its own cashflow and cash backed reserves in lieu of external debt. However, with the planned use of reserves to support the revenue and capital budgets means this position will change and further external borrowing will be required. External debt peaks as the forecast capital programme for approved schemes ends and will change as further projects are approved and the level of internal borrowing reduced.

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

	2022/23	2023/24	2024/25	2025/26	2026/27
	£'m				
Opening CFR	1,768.3	1,988.4	2,176.5	2,216.2	2,172.6
New Borrowing	255.8	208.6	84.0	3.3	
Additional long-term liabilities [1]	0.9	20.8	0.7	1.3	1.6

[1] The additional long term liabilities are likely to increase following the introduction of international

MRP	(36.6)	(41.3)	(45.0)	(48.2)	(47.6)
Closing CFR	**1,988.4**	**2,176.5**	**2,216.2**	**2,172.6**	**2,126.6**

6.7 The Capital Financing Requirement of the City Council as at 31st March 2023 is forecast to be c. £1.99bn. The difference between this and the actual gross debt of the Council is c. £0.9bn which is the amount of funding that the Council has internally borrowed or has been funded through credit arrangements. This reflects the Council's ongoing treasury strategy of using internal cash to reduce the amount of borrowing required rather than holding this cash as investments.

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

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

6.10 The portfolio at 31st March 2023 includes Council Stock with a value of £0.9m. This Stock debt is attributable to the irredeemable class of stock where stockholders have not taken up the Council's redemption offer made in 2017/18.

7 Prospects for Interest Rates

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

- 2023: 4.25%
- 2024: 4.00%
- 2025: 3.00%

Financial Reporting Standard 16, due in April 2024. Work is underway to identify the impact of this, and it will be reported to members in due course, the estimate included in these figures is a c. £20m increase.

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

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

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

8 Borrowing Requirement

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

Table 2	2023/24	2024/25	2025/26
	£'m	**£'m**	**£'m**
	estimate	**estimate**	**estimate**
Planned Capital Expenditure funded by Borrowing	208.6	84.0	3.3
Change in Grants & Contributions	26.1	31.0	0.0
Change in Capital Receipts	(23.4)	(11.1)	(2.4)
Change in Reserves	69.5	70.7	45.0
MRP Provision	(37.2)	(40.6)	(43.6)
Refinancing of maturing debt (GF)	93.7	11.5	0.0
Refinancing of maturing debt (HRA)	0.0	0.0	0.0
Movement in Working Capital	80.0	0.0	0.0
Estimated Borrowing Requirement	**417.3**	**145.5**	**2.3**
Funded by:			
GF	417.3	145.5	2.3
HRA	0.0	0.0	0.0

9 Borrowing Strategy

General Fund

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

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

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

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

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

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

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

HRA

9.7 The Council's proposed capital budget for 2023/24 and beyond does not contain any requirement for the HRA to borrow additional sums. It is expected that proposals may be brought forward that require funding via borrowing, which would create a borrowing requirement for 2023/24 or future years. The level of borrowing affordable is restrained by the statutory requirement for the HRA Business Plan to avoid going into a deficit, and as such any long-term borrowing that is taken to invest in capital assets would have to generate sufficient income to cover the costs of financing the debt and be supported by a sufficiently robust business case.

9.8 The impact of any required further long-term borrowing on the Business Plan will be reviewed which will inform the borrowing options pursued. Any temporary borrowing required will be sought from the General Fund, as per the pooled funding approach which is discussed further in Appendix I.

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

Borrowing Options

9.10 The overall forecast for long-term borrowing rates is that they are expected to rise gradually during 2023/24 and will continue to increase in future years from their historically low levels. In terms of the Council's borrowing strategy there are three options:

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

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

9.11 Some of the expected options for new borrowing are noted below. All options will be evaluated alongside their availability, and which provides best value for money. The options below are not presented in a hierarchical order.

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

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

investments. The government published its response to this consultation and implemented these reforms in November 2020.
Additional requirements to borrow from PWLB were introduced. Each local authority that wishes to borrow from the PWLB will need to submit a high-level description of their capital spending and financing plans for the following three years, including their expected use of the PWLB. Any investment assets bought primarily for yield will not be supported by PWLB.

Local Authorities will be asked to:

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

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

In June 2021, the UK Infrastructure Bank launched. It is independent of HM Treasury, and aims to lend to local authorities for strategic and high value projects alongside the private sector. One of the access routes to the bank is through the PWLB, and the Council would evaluate this option if it were available.

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

Table 3	Mar 23	Jun 23	Sep 23	Dec 23	Mar 24	Dec 24	Mar 25	Dec 25
	%							
Bank Rate	4.25	4.50	4.50	4.50	4.00	3.25	3.00	2.50
5 yr PWLB rate	4.20	4.20	4.10	4.00	3.90	3.50	3.40	3.10
10 yr PWLB rate	4.40	4.40	4.30	4.10	4.00	3.60	3.50	3.30
25 yr PWLB rate	4.60	4.60	4.50	4.00	4.20	3.90	3.70	3.50
50 yr PWLB rate	4.30	4.30	4.20	4.10	3.90	3.60	3.50	3.20

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

- **European Investment Bank (EIB)**

Historically, the EIB rates for borrowing were generally favourable compared to PWLB although the margin of benefit has now reduced as a result of the

U.K. withdrawing from the EU and the reversal of PWLB rates as described above. The Council still has access to EIB along with the option to forward fix rates for borrowing and this option will be considered if the conditions can be met and it offers better value for money. The EIB appraises its funding plans against individual schemes, particularly around growth and employment and energy efficiency, and any monies borrowed are part of the Council's overall pooled borrowing.

- **Third Party Loans**

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

- **Inter-Local Authority advances**

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

- **Market Loans**

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

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

- **Local Authority Bond Agency**

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

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

The Agency's aim is to raise finance for Local Authorities by issuing municipal bonds to capital markets. The Agency has successfully issued a small number of bonds for local authorities, and the Council will continue to monitor the Agency's development and whether it can offer a competitive option for future borrowing.

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

9.13 Following HRA reform the vast majority of the Council's existing debt portfolio consists of LOBOs and the Authority continues to need to consider diversifying its loan book to reduce the impact of any volatility that may cause these loans to be called It should be noted that the Council's current LOBO loans are considered unlikely to be called in the medium term, despite the interest rises across the last year. However, should long term interest rates increase further, this risk of call will also increase.

Sensitivity of the forecast

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

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

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

External v. Internal borrowing

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

9.16 The next financial year is again expected to be one of rates continuing to rise as the Bank of England looks to tackle inflation, with the expectation that rates will fall back in the medium term albeit not to the recent historic lows. At Appendix F there is an in-depth analysis of economic conditions provided by Link Asset Services, the Council's independent treasury advisors.

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

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

9.19 Against this background caution will be adopted within 2022/23 treasury operations. The Deputy Chief Executive and City Treasurer will monitor the interest rate market and adopt a pragmatic approach to changing circumstances, reporting any decisions to the appropriate decision-making body at the next available opportunity.

Policy on borrowing in advance of need

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

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

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

Forward Fixing

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

Debt Rescheduling

9.23 It is likely that opportunities to reschedule debt in the 2023/24 financial year will be limited due to prevailing debt interest rates being relatively similar to existing debt.

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

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

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

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

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

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

9.29 All rescheduling will be reported to the Executive as part of the normal treasury management activity. If rescheduling requires amendments to the Treasury Management Strategy the Deputy Chief Executive and City Treasurer will be asked to approve them in accordance with the delegated powers accorded to the position and the changes will be reported to Members.

10 Annual Investment Strategy

HRA

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

General Fund

Introduction

10.2 The Council will have regard to the MHCLG's Guidance on Local Government Investments (the Guidance) and the 2011 and 2021 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes (the CIPFA TM Code). The Council's investment priorities are:

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

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

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

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

Investment Policy

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

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

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

10.9 For 2023/24 the Council will continue to consider investing in Treasury Bills, Certificates of Deposit and Covered Bonds. In addition to diversification each

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

of these options offer the Council benefits which are noted in more detail below. These instruments require the Council to have specific custodian and broker facilities which have been opened. Officers are working to monitor these markets to prompt participation in the instruments when rates are favourable, and to identify and resolve any governance challenges arising from investing in instruments which have an active secondary market. Work is continuing to open further access points to markets and to identify opportunities for benefit which are new to the Council.

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

Specified and Non-Specified Investments

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

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

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

[3] Banks & Building Societies

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

Creditworthiness Policy

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

- Credit Watches and Credit Outlooks from credit rating agencies
- Credit Default Swap spreads to provide early warning of likely changes in credit ratings
- Sovereign Ratings to select counterparties from only the most creditworthy countries

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

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

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

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

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

Investment Limits

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

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

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

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

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

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

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

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

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

Durational Limits

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

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

Environmental, Social and Governance Investment Policy

10.24 The investment classes detailed in this Strategy are almost exclusively short term in nature, and therefore establishing investment criteria for environmental, social and governance (ESG) factors is challenging.

10.25 There are several approaches to ESG investing, but they all focus on investments which will have a positive return and a long-term impact in people, the environment, and how business is conducted. This is particularly important when the investment takes the form of equity, and therefore the investor can use their influence in corporate matters.

10.26 None of the investment classes contained within this Strategy provide that level of influence. Instead, the treasury management team will continue to screen potential investments to make sure that institutions demonstrate a significant level of commitment to ESG matters, are aligned to the Council’s corporate objectives and approaches, and will not invest if there are concerns.

Money Market Funds

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

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

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

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

Treasury Bills

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

Certificates of Deposit

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

Covered Bonds

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

Liquidity

10.34 Based on cash flow forecasts, the level of cash balances in 2023/24 is estimated to range between £0m and £300m. The higher level can arise where for instance large Government grants are received or long-term borrowing has recently been undertaken.

Investment Strategy to be followed in-house

10.35 Link's view of the forecast Bank Rate is noted at Section 9. Link's view is that the Bank Rate will increase during 2023, given the high inflation outlook.

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

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

10.38 The Council uses the Sterling Overnight Index Average (SONIA) as a benchmark rate for investments and temporary borrowing following the phasing out of LIBOR by the Bank of England and the Financial Conduct Authority (FCA). SONIA represents the overnight rate of interest banks pay to borrow sterling overnight, unsecured, from other financial institutions.

10.39 This change means that the benchmark rate is now based on observable data, whereas LIBOR/ID was based on information provided by major banks. The impact on SONIA of changes in the Bank of England bank rate is far more immediate, particularly when compared to the investment instruments that the Council uses where there is a time lag between bank rate changing and the rate offered for the instrument reflecting that change.

10.40 For 2022/23 it is suggested the Council should target an investment return on investments placed during the financial year that is close to the SONIA. This reflects the ongoing market uncertainty, and the short term nature of any cash that the Council holds. For cash flow generated balances, the Council will seek to utilise its business reserve accounts and short-dated deposits (overnight to six months) in order to benefit from the compounding of interest.

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

End of year Investment Report

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

Policy on the use of External Service Providers

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

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

11 Non-Treasury Investments and Liabilities

11.1 CIPFA's revised Prudential and Treasury Management Codes acknowledge that authorities may hold non-treasury investments. These are investments held for service purposes, such as housing or regeneration, or commercial purposes. They are non-treasury because they are not related to the management of the authority's cash flows. Non-treasury investments are classed as capital expenditure.

11.2 The Council has a portfolio of non-treasury investments, including investment property, as outlined below. Such capital investments are regularly reviewed to ensure they continue to perform as expected. Whilst these investments are held for fundamentally different reasons compared to treasury management investments, it is important to set out how they will be managed, and the Council's overall approach.

Approach, Due Diligence and Risk Appetite

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

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

Summary of material investments, guarantees and liabilities

11.5 The Council has the current historic investments on the balance sheet as at 31st March 2022:

	Value as at 31/3/22
	£m
Long-term debtors	486.2
Long-term investments	141.5
Investment Property	493.7
Total	**1,121.4**

11.6 Long-term debtors are loan finance provided by the Council, including the loans to Manchester Airport (£313.9m), Public Finance Initiative prepayments (£20.9m), and Manchester College (£19.0m), for which repayments have begun. These loans are regularly reviewed and would be impaired if there was a risk of default.

11.7 Long-term investments are equity investments held including Manchester Airport (£112.4m), a car park at Manchester Airport (£4.8m), Destination Manchester (£10.2m) which is the Council's investment in Manchester Central, Manchester Science Park (£6.2m) and Matrix Homes (£5.6m). Investments are valued on an annual basis.

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

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

- Waste Contract - providing a loan to the contractor to upgrade vehicles.
- Civic Quarter Heat Network - creation of a heat network through a Council-owned company.
- Private Sector Housing Equity Loans - loans to residents to provide housing support
- This City – debt and equity to create a housing company providing affordable housing; and
- Victoria North – loans to support the Victoria North joint venture in acquiring land.

11.10 There may be other projects which become capital investments, such as to support the Eastern Gateway and Victoria North.

11.11 All investments are scrutinised via the capital approval process, including to Executive and Council as required, with independent financial, legal and other relevant advice sought.

11.12 Where investments provide a return through interest or dividends this can be used to support the revenue budget. For example, in 2022/23 c. £24.9m of dividends will be used within the revenue budget. Where investments are funded by borrowing the income received is used to fund the capital financing costs, for example the Airport Strategic Loan.

11.13 All investments are monitored regularly with the frequency based on risk, and any material changes are reported to the Deputy Chief Executive and City Treasurer at the earliest opportunity.

Commercial Investments

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

11.15 It is worth noting that investment property is considered, under CIPFA's Prudential Code, as a commercial investment, and so the Council does have assets of a commercial nature on the balance sheet.

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

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

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

11.18 The outcome of the consultation also requires local authorities to only invest within their economic area.

12 Skills and Knowledge

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

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

13 Scheme of Delegation

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

14 Role of the Section 151 Officer

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

15 Minimum Revenue Provision (MRP) Strategy

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

16 Recommendations

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

17 Contributing to a Zero-Carbon City

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

18 Contributing to the Our Manchester Strategy

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

19 Key Policies and Considerations

(a) Equal Opportunities

19.1 None.

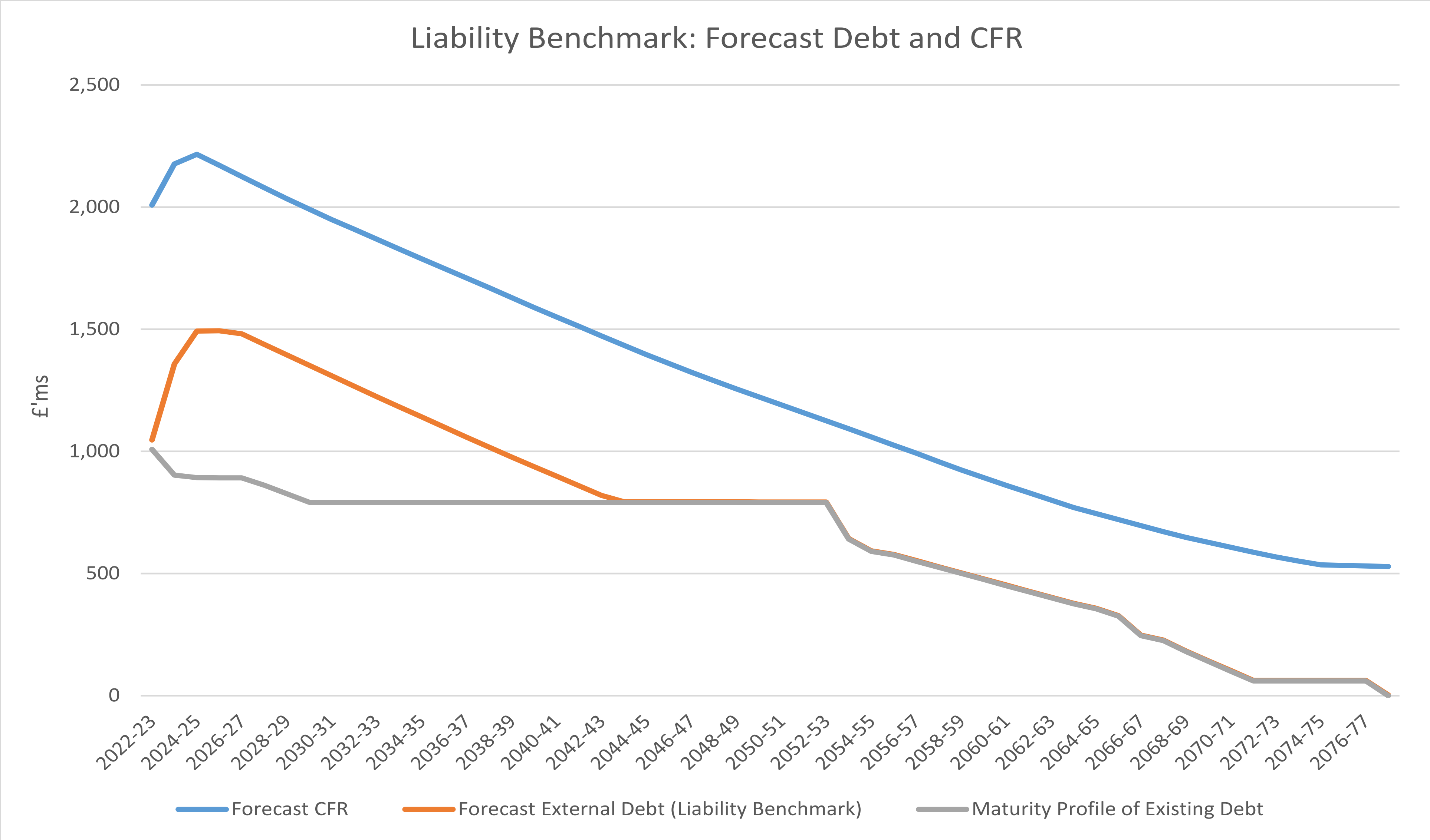
(b) Risk Management

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

(c) Legal Considerations

19.3 None.

Appendix A - Prudential and Treasury Indicators for approval



Please note last years approved figures are shown in brackets.

Treasury Management Indicators	2023-24		2024-25		2025-26
	%		%		%
Estimated Financing Costs to Net Revenue Stream[1]	5.49		5.37		5.34
Estimated Net Income from Commercial and Service Investments to Net Revenue Stream	10.8		10.6		10.4
	£m		£m		£m
Authorised Limit - external debt					
Borrowing	1,825.1	(1,816.1)	1,811.9	(1,816.1)	1,811.9
Other long-term liabilities	190.0	(190.0)	190.0	(190.0)	190.0
TOTAL	2,015.1	(2,006.1)	2,001.9	(2,006.1)	2,001.9
Operational Boundary - external debt					
Borrowing	1,620.5	(1,698.5)	1,726.3	(1,724.0)	1,728.1
Other long-term liabilities	190.0	(190.0)	190.0	(190.0)	190.0
TOTAL	1,810.5	(1,888.5)	1,916.3	(1,914.0)	1,918.1
Estimated external debt	1,465.5	(1,572.0)	1,611.0	(1,606.0)	1,613.3

[1] Note that for 2024-25 onward these are based on estimated net revenue budgets.

Upper limit for total principal sums invested for over 364 days	0	(0)	0	(0)	0
Estimated Capital Expenditure					
Non - HRA	377.4	(223.2)	155.7	(51.3)	22.5
HRA	49.0	(31.9)	43.7	(14.6)	11.6
TOTAL	426.4	(255.1)	199.4	(65.9)	34.1
Estimated Capital Financing Requirement (as at 31 March)					
Non – HRA	1854,7	(1,895.8)	1893.7	(1,898.6)	1845.4
HRA	321.8	(321.8)	322.5	(322.6)	323.9
TOTAL	2,176.5	(2,220.6)	2,216.2	(2,221.2)	2,169.3

Maturity structure of borrowing during 2023-24	Upper Limit		Lower limit	
under 12 months	70%	(70%)	0%	(0%)
12 months and within 24 months	60%	(70%)	0%	(0%)
24 months and within 5 years	40%	(60%)	0%	(0%)
5 years and within 10 years	50%	(60%)	0%	(0%)
10 years and above	80%	(90%)	30%	(30%)
Has the Authority adopted the CIPFA Treasury Management Code?				Yes

The status of the indicators will be included in Treasury Management reporting during 2023/24. They will also be included in the Council's Capital Budget monitoring reports during 2023/24.

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

Estimated Financing Costs to Net Revenue Stream

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

Estimated Net Income from Commercial and Service Investments to Net Revenue Stream

The authority will set for the forthcoming year and the following financial years an estimate of new income from commercial and service investments to net revenue stream. The indicator is intended to show the financial exposure of the authority to the loss of income, and therefore the proportionality of commercial and service investment income to the authority's overall budget.

Estimated Capital Expenditure

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

Estimates Capital Financing Requirement

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

Authorised Limit - external debt

The local authority will set for the forthcoming financial year and the following two financial years an authorised limit for its total external debt, excluding investments, separately identifying borrowing from other long-term liabilities. Other long-term liabilities include PFI's, service concessions and finance leases. Due to the introduction of IFRS16 (Leasing) on the 1st of April 2022, more of the Council's lessee leases will be classed as finance leases and will become other long-term liabilities, therefore the value will increase from previous years. Work is underway to determine the value of this change in accounting standards, but £20.0m has been added to the indicator at this stage and will be reviewed once this work is complete. This prudential indicator is referred to as the Authorised Limit.

Operational Boundary - external debt

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

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

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

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

Estimated external debt

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

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

Upper limit for total principal sums invested for over 364 days

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

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

Maturity structure of new borrowing

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

Liability Benchmark

The liability benchmark is a projection of the amount of loan debt outstanding that the authority needs each year into the future to fund its existing debt liabilities, planned prudential borrowing and other cash flows. The benchmark shows the gap between the authority's outstanding loans at future points in time and the authority's need to for borrowing (the benchmark). It can be used to identify the debt maturities needed for new borrowing in order to match to future liabilities.

Local Prudential Indicators

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

Appendix B - Minimum Revenue Provision Strategy

The Council implemented the new Minimum Revenue Provision (MRP) guidance in 2011/12 and has assessed its MRP for 2023/24 in accordance with the main recommendations contained within the guidance issued by the Secretary of State under section 21(1A) of the Local Government Act 2003.
The Council is required to make provision for repayment of an element of the accumulated General Fund capital spend each year through a revenue charge (the Minimum Revenue Provision - MRP).
MHCLG Regulations require full Council to approve an MRP Statement, in advance of each year. If the Council wishes to amend its policy during the year this would need to be approved by full Council. A variety of options are available to councils to replace the previous Regulations, so long as there is a prudent provision. The options are:

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

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

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

- ***Option 4:*** Depreciation Method – MRP is calculated in accordance with the depreciation accounting required for the asset.

Options 1 and 2 may be used only for supported expenditure, which is capital expenditure for which the Council has been notified by Government that the costs of that expenditure will be considered in the calculation of Government funding due to the Council.

It is important to note that the Council can deviate from these options provided that the approach taken ensures that there is a prudent provision. The Council has historically followed option 1 for supported expenditure based on the level of support provided by Government through Revenue Support Grant (RSG).

The assets created or acquired under Supported Capital Expenditure predominantly had long asset lives of c. 50 years, such as land or buildings, and an MRP of 4% suggests a significantly shorter asset life. As the level of notional RSG the Council receives has reduced in recent years, it was considered prudent to review the approach to MRP on supported borrowing to reflect the Government support received.

It was therefore agreed that from 2017/18 a provision of 2% of the non-housing CFR as at the end of the preceding financial year is to be made. This is in line with many other local authorities who have reviewed the basis for their MRP and have applied similarly revised policies.

It is the Council's policy that MRP relating to an asset will start to be incurred in the year after the capital expenditure on the asset is incurred or, in the case of new assets, in the year following the asset coming into use, in accordance with MHCLG's guidance.

The Council recognises that there are different categories of capital expenditure, for which it will incur MRP as follows:

- For non HRA Supported Capital Expenditure: MRP policy will be charged at a rate of 2% on a similar basis to option 1 of the guidance (the regulatory method) but at a lower rate, better reflecting the asset lives of the assets funded through Supported Borrowing.

- For non HRA unsupported capital expenditure incurred the MRP policy will be:
  - Asset Life Method – MRP will be based on a straight-line basis or annuity method so linking the MRP to the future flow of benefits from the asset, dependant on the nature of the capital expenditure, in accordance with option 3 of the guidance.

  - If the expenditure is capital by virtue of a Ministerial direction, has been capitalised under a Capitalisation Directive, or does not create a council asset, MRP will be provided in accordance with option 3 of the guidance with asset lives calculated as per the table below:

Expenditure type	**Maximum period over which MRP to be made**
Expenditure capitalised by virtue of a direction under s16 (2) (b).	20 years.
Regulation 25(1) (a). Expenditure on computer programs.	Same period as for computer hardware.
Regulation 25(1) (b). Loans and grants towards capital expenditure by third parties.	The estimated life of the assets in relation to which the third-party expenditure is incurred.
Regulation 25(1) (c). Repayment of grants and loans for capital expenditure.	25 years or the period of the loan if longer.
Regulation 25(1) (d). Acquisition of share or loan capital.	20 years, or the estimated life of the asset acquired.
Regulation 25(1) (e). Expenditure on works to assets not owned by the authority.	The estimated life of the assets.
Regulation 25(1) (ea). Expenditure on assets for use by others.	The estimated life of the assets.
Regulation 25(1) (f). Payment of levy on Large Scale Voluntary Transfers (LSVTs) of dwellings.	25 years.

- For PFI service concessions and some lessee interests: Following the move to International Accounting Standards arrangements under private finance initiatives (PFIs) service concessions and some lessee interests (including embedded leases) are accounted for on the Council's Balance Sheet, and with the introduction of IFRS16 (Leasing) from the 1st of April 2022 more lessee leases will be classified in a similar way. Where this occurs, a part of the contract charge or rent payable will be taken to reduce the Balance Sheet liability rather than being charged as revenue expenditure. The MRP element of these schemes will be the amount of contract charge or rental payment charged against the Balance Sheet liability. This approach will produce an MRP charge comparable to that under option 3 in that it will run over the life of the lease or PFI scheme.

In some exceptional cases, the Council will deviate from the policy laid out above provided such exceptions remain prudent. Any exceptions are listed below:

- Where capital expenditure is incurred through providing loans to organisations, and where those loans are indemnified or have financial guarantees protecting against loss from a third party of high credit quality, no MRP will be charged in relation to the capital expenditure. Similarly, loans given by the Council where any losses incurred on the investment will impact solely on a third party, such as those provided under the City Deal arrangement with the HCA, will not require an MRP charge.

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Appendix C - Treasury Management Policy Statement

1. This organisation defines its treasury management activities as:
   The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

2. This organisation regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered to manage these risks.

3. This organisation acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

The Council will invest its monies prudently, considering security first, liquidity second, and yield last, carefully considering its investment counterparties. It will similarly borrow monies prudently and consistent with the Council's service objectives.

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Manchester City Council
Report for Resolution

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

Subject: Treasury Management Strategy Statement 2022/23, including Borrowing Limits and Annual Investment Strategy

Report of: Deputy Chief Executive and City Treasurer

Summary

To set out the proposed Treasury Management Strategy Statement and Borrowing Limits for 2023/24 and Prudential Indicators for 2023/24 to 2025/26.

Recommendations

The Executive is requested to:

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

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

The Council is requested to:

(1) Approve the proposed Treasury Management Strategy Statement, and in doing so approve the following:

- Borrowing Requirements listed in Section 7 of this report;
- Borrowing Strategy outlined in Section 10;
- Annual Investment Strategy detailed in Section 11;
- Prudential and Treasury Indicators listed in Appendix A;
- MRP Strategy outlined in Appendix B;
- Treasury Management Policy Statement at Appendix C; and
- Treasury Management Scheme of Delegation at Appendix D

(2) Delegate to the Deputy Chief Executive and City Treasurer, in consultation with the Executive Member for Finance and Human Resources, the power to pursue any restructuring, rescheduling or redemption opportunities available, including amendments to the Treasury Management Strategy if the changes require it. Any changes required to the Strategy will be reported to members at the earliest opportunity.

Wards Affected - All

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

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

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

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

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

Financial Consequences – Capital

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

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Background documents (available for public inspection):

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

- Capital Strategy and Budget 2022/23 - 2025/26 report to Executive 15 February 2023
- CIPFA Prudential Code 2021
- CIPFA Treasury Management Code of Practice 2021

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

1. **Introduction**

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

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

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

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

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

Treasury Management Strategy for 2023/24

1.6 The suggested strategy for 2023/24 is based upon the treasury officers' views on interest rates, supplemented with market forecasts provided by the Council's treasury advisor, Link Asset Services.

The strategy covers:

Section 1:	Introduction
Section 2:	CIPFA Definition of Treasury Management
Section 3:	Statutory and other Requirements
Section 4:	Prudential and Treasury Indicators for 2022/23 to 2024/25
Section 5:	Impact of 2012 HRA reform
Section 6:	Current Portfolio Position
Section 7:	Prospects for Interest Rates
Section 8:	Borrowing Requirement
Section 9:	Borrowing Strategy
Section 10:	Annual Investment Strategy
Section 11:	Non-Treasury Investments and Liabilities
Section 12:	Skills and Knowledge
Section 13:	Scheme of Delegation

2 CIPFA Definition of Treasury Management

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

3 Statutory and other requirements

Statutory requirements

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

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

3.3 The Department for Housing, Communities and Local Government (DHCLG) issued revised investment guidance which came into effect from the 1 April 2010. In 2017 the Department, now the Ministry of Housing Communities and Local Government (MHCLG) further updated its guidance on local government investments. CIPFA responded to these revisions by issuing an updated Code of Practice on Treasury Management and the Prudential Code in 2021.

CIPFA requirements

3.4 The CIPFA Code of Practice on Treasury Management has been adopted by the Council. This strategy has been prepared in accordance with the revised December 2021 Code.

3.5 The primary requirements of the Code are as follows:

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

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

Balanced Budget Requirement

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

- increases in interest charges caused by increased borrowing to finance additional capital expenditure;
- increases to the minimum revenue provision; and
- increases in running costs from new capital projects are limited to a level which is affordable within the projected income of the Council for the foreseeable future.

4 Prudential and Treasury Indicators for 2023/24 to 2025/26

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

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

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

4.4 The full set of Treasury limits and Prudential Indicators recommended by the Code and used by the Council, together with their suggested levels for 2023/24 is noted in Appendix A of this report.

4.5 Under the revised Prudential and Treasury Management Codes, there are two new indicators introduced this year. They are:

- Net income from commercial and service investments to net revenue stream; and
- Liability benchmark.

4.6 The first new indicator is an indicator of affordability and proportionality, reflecting the scale of the revenue budget which is supported by income generated from non-treasury management investments, and which could be affected by changes to the economy and the financial environment.

4.7 The second indicator is a projection of the amount of loan debt outstanding that the authority needs each year and shows the gap between existing debt and future borrowing needs. It highlights the maturities of future debt needed so that future debt matches future liabilities.

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

5 The Housing Revenue Account – Impact of 2012 HRA Reform

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

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

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

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

6 Current Portfolio Position

6.1 The forecast portfolio position for the end of the current financial year is shown below. The short-term borrowing taken during the pandemic has been refinanced with long term debt from the PWLB, with further PWLB taken to fund the capital programme.

6.2 The Council's forecast treasury portfolio position at 31st March 2023 is:

Table 1	**Principal**			**Av Rate**
	GF £'m	HRA £'m	**Total £'m**	%
Long Term Borrowing				
PWLB	500.0	0.0	**500.0**	2.33
Market	330.0	60.7	**390.7**	4.44
Stock	0.9	0.0	**0.9**	4.00
SALIX	6.8	0.0	**6.8**	0.00
HCA	8.5	0.0	**8.5**	0.00
	846.1	60.7	**906.8**	
Short Term Borrowing				
Other	141.3	0	**141.3**	3.51
Gross Debt	987.4	60.7	**1,048.1**	
External Investments	0.0	0.0	**0.0**	0.0
Internal Balances (GF/HRA)	52.9	(52.9)	0	0.0
Net Debt	1,040.3	7.8	**1,048.1**	

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

6.4 The Council's debt is comparatively high compared to other local authorities, due to both the relative size of the authority and the relatively high levels of capital expenditure funded by borrowing in recent years, for example the Our Town Hall refurbishment and the highways maintenance programme. A key element of the treasury management strategy is that debt should be both proportional and affordable, so that the debt costs associated with it are contained within existing revenue resources. To achieve this, the Council's balance sheet is monitored throughout the year, with debt management scenarios reviewed to understand the risks to the Council of changes in interest rates, for example. Decisions taken on new debt seek to balance market conditions with long term affordability.

6.5 The long-term forecast for external debt in comparison to the Capital Financing Requirement, known as the Liability Benchmark, is shown at Appendix 1. This highlights the level of internal borrowing, where the council is using its own cashflow and cash backed reserves in lieu of external debt. However, with the planned use of reserves to support the revenue and capital budgets means this position will change and further external borrowing will be required. External debt peaks as the forecast capital programme for approved schemes ends and will change as further projects are approved and the level of internal borrowing reduced.

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

	2022/23	2023/24	2024/25	2025/26	2026/27
			£'m		
Opening CFR	1,768.3	1,988.4	2,176.5	2,216.2	2,172.6
New Borrowing	255.8	208.6	84.0	3.3	
Additional long-term liabilities [1]	0.9	20.8	0.7	1.3	1.6
MRP	(36.6)	(41.3)	(45.0)	(48.2)	(47.6)
Closing CFR	**1,988.4**	**2,176.5**	**2,216.2**	**2,172.6**	**2,126.6**

6.7 The Capital Financing Requirement of the City Council as at 31st March 2023 is forecast to be c. £1.99bn. The difference between this and the actual gross debt of the Council is c. £0.9bn which is the amount of funding that the Council has internally borrowed or has been funded through credit arrangements. This reflects the Council's ongoing treasury strategy of using internal cash to reduce the amount of borrowing required rather than holding this cash as investments.

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

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

6.10 The portfolio at 31st March 2023 includes Council Stock with a value of £0.9m. This Stock debt is attributable to the irredeemable class of stock where stockholders have not taken up the Council's redemption offer made in 2017/18.

[1] The additional long term liabilities are likely to increase following the introduction of international Financial Reporting Standard 16, due in April 2024. Work is underway to identify the impact of this, and it will be reported to members in due course, the estimate included in these figures is a c. £20m increase.

7 Prospects for Interest Rates

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

- 2023: 4.25%
- 2024: 4.00%
- 2025: 3.00%

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

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

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

8 Borrowing Requirement

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

Table 2	**2023/24**	**2024/25**	**2025/26**
	£'m	**£'m**	**£'m**
	estimate	**estimate**	**estimate**
Planned Capital Expenditure funded by Borrowing	208.6	84.0	3.3
Change in Grants & Contributions	26.1	31.0	0.0
Change in Capital Receipts	(23.4)	(11.1)	(2.4)
Change in Reserves	69.5	70.7	45.0
MRP Provision	(37.2)	(40.6)	(43.6)
Refinancing of maturing debt (GF)	93.7	11.5	0.0
Refinancing of maturing debt (HRA)	0.0	0.0	0.0
Movement in Working Capital	80.0	0.0	0.0
Estimated Borrowing Requirement	**417.3**	**145.5**	**2.3**
Funded by:			
GF	417.3	145.5	2.3
HRA	0.0	0.0	0.0

9 Borrowing Strategy

General Fund

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

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

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

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

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

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

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

HRA

9.7 The Council's proposed capital budget for 2023/24 and beyond does not contain any requirement for the HRA to borrow additional sums. It is expected that proposals may be brought forward that require funding via borrowing, which would create a borrowing requirement for 2023/24 or future years. The level of borrowing affordable is restrained by the statutory requirement for the HRA Business Plan to avoid going into a deficit, and as such any long-term borrowing that is taken to invest in capital assets would have to generate sufficient income to cover the costs of financing the debt and be supported by a sufficiently robust business case.

9.8 The impact of any required further long-term borrowing on the Business Plan will be reviewed which will inform the borrowing options pursued. Any temporary borrowing required will be sought from the General Fund, as per the pooled funding approach which is discussed further in Appendix I.

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

Borrowing Options

9.10 The overall forecast for long-term borrowing rates is that they are expected to rise gradually during 2023/24 and will continue to increase in future years from their historically low levels. In terms of the Council's borrowing strategy there are three options:

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

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

9.11 Some of the expected options for new borrowing are noted below. All options will be evaluated alongside their availability, and which provides best value for money. The options below are not presented in a hierarchical order.

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

In February 2020 Parliament reformed the statutory basis of the PWLB, transferring lending powers to HM Treasury. In March 2020 the government consulted on revising the PWLB's lending terms to reflect the new governance arrangements as well as to end the situation in which a minority of local authorities used PWLB loans to fund debt for yield activity via commercial investments. The government published its response to this consultation and implemented these reforms in November 2020.
Additional requirements to borrow from PWLB were introduced. Each local authority that wishes to borrow from the PWLB will need to submit a high-level description of their capital spending and financing plans for the following three years, including their expected use of the PWLB. Any investment assets bought primarily for yield will not be supported by PWLB.

Local Authorities will be asked to:

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

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

In June 2021, the UK Infrastructure Bank launched. It is independent of HM Treasury, and aims to lend to local authorities for strategic and high value projects alongside the private sector. One of the access routes to the bank is through the PWLB, and the Council would evaluate this option if it were available.

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

Table 3	**Mar 23**	**Jun 23**	**Sep 23**	**Dec 23**	**Mar 24**	**Dec 24**	**Mar 25**	**Dec 25**
	%							
Bank Rate	4.25	4.50	4.50	4.50	4.00	3.25	3.00	2.50
5 yr PWLB rate	4.20	4.20	4.10	4.00	3.90	3.50	3.40	3.10
10 yr PWLB rate	4.40	4.40	4.30	4.10	4.00	3.60	3.50	3.30
25 yr PWLB rate	4.60	4.60	4.50	4.00	4.20	3.90	3.70	3.50
50 yr PWLB rate	4.30	4.30	4.20	4.10	3.90	3.60	3.50	3.20

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

- **European Investment Bank (EIB)**

Historically, the EIB rates for borrowing were generally favourable compared to PWLB although the margin of benefit has now reduced as a result of the U.K. withdrawing from the EU and the reversal of PWLB rates as described above. The Council still has access to EIB along with the option to forward fix rates for borrowing and this option will be considered if the conditions can be met and it offers better value for money. The EIB appraises its funding plans against individual schemes, particularly around growth and employment and energy efficiency, and any monies borrowed are part of the Council's overall pooled borrowing.

- **Third Party Loans**

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

- **Inter-Local Authority advances**

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

- **Market Loans**

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

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

- **Local Authority Bond Agency**

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

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

The Agency's aim is to raise finance for Local Authorities by issuing municipal bonds to capital markets. The Agency has successfully issued a small number of bonds for local authorities, and the Council will continue to monitor the Agency's development and whether it can offer a competitive option for future borrowing.

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

9.13 Following HRA reform the vast majority of the Council's existing debt portfolio consists of LOBOs and the Authority continues to need to consider diversifying its loan book to reduce the impact of any volatility that may cause these loans to be called It should be noted that the Council's current LOBO loans are considered unlikely to be called in the medium term, despite the interest rises across the last year. However, should long term interest rates increase further, this risk of call will also increase.

Sensitivity of the forecast

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

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

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

External v. Internal borrowing

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

9.16 The next financial year is again expected to be one of rates continuing to rise as the Bank of England looks to tackle inflation, with the expectation that rates will fall back in the medium term albeit not to the recent historic lows. At Appendix F there is an in-depth analysis of economic conditions provided by Link Asset Services, the Council's independent treasury advisors.

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

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

9.19 Against this background caution will be adopted within 2022/23 treasury operations. The Deputy Chief Executive and City Treasurer will monitor the interest rate market and adopt a pragmatic approach to changing circumstances, reporting any decisions to the appropriate decision-making body at the next available opportunity.

Policy on borrowing in advance of need

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

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

- ensure that there is a clear link between the capital programme and maturity profile of the existing debt profile which supports the need to take funding in advance of need;
- ensure the ongoing revenue liabilities created and implications for future and budget have been considered;

- evaluate the economic and market factors that might influence the manner and timing of any decision to borrow;
- consider the merits and demerits of alternative forms of funding;
- consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use; and
- consider the impact of borrowing in advance temporarily (until required to finance capital expenditure) increasing investment cash balances and the consequent increase in exposure to counterparty risk, and other risks, and the level of such risks given the controls in place to minimise them.

Forward Fixing

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

Debt Rescheduling

9.23 It is likely that opportunities to reschedule debt in the 2023/24 financial year will be limited due to prevailing debt interest rates being relatively similar to existing debt.

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

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

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

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

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

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

9.29 All rescheduling will be reported to the Executive as part of the normal treasury management activity. If rescheduling requires amendments to the Treasury Management Strategy the Deputy Chief Executive and City Treasurer will be asked to approve them in accordance with the delegated powers accorded to the position and the changes will be reported to Members.

10 Annual Investment Strategy

HRA

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

General Fund

Introduction

10.2 The Council will have regard to the MHCLG's Guidance on Local Government Investments (the Guidance) and the 2011 and 2021 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes (the CIPFA TM Code). The Council's investment priorities are:

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

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

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

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

Investment Policy

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

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

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

10.9 For 2023/24 the Council will continue to consider investing in Treasury Bills, Certificates of Deposit and Covered Bonds. In addition to diversification each of these options offer the Council benefits which are noted in more detail below. These instruments require the Council to have specific custodian and broker facilities which have been opened. Officers are working to monitor these markets to prompt participation in the instruments when rates are favourable, and to identify and resolve any governance challenges arising from investing in instruments which have an active secondary market. Work is continuing to open further access points to markets and to identify opportunities for benefit which are new to the Council.

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

Specified and Non-Specified Investments

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

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

Table 4	**Minimum 'High' Credit Criteria**	**Use**
Term deposits – banks and building societies[3]	See Creditworthiness Policy.	In-house
Term deposits – other Local Authorities	High security. Only few local authorities' credit-rated	In-house
Debt Management Agency Deposit Facility	UK Government backed	In-house

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

[3] Banks & Building Societies

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

Certificates of deposit issued by banks and building societies covered by UK Government guarantees	UK Government explicit guarantee	In-house
Money Market Funds (MMFs)	AAA	In-house
Treasury Bills	UK Government backed	In-house
Covered Bonds	AAA	In-house

Creditworthiness Policy

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

- Credit Watches and Credit Outlooks from credit rating agencies
- Credit Default Swap spreads to provide early warning of likely changes in credit ratings
- Sovereign Ratings to select counterparties from only the most creditworthy countries

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

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

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

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

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

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

Investment Limits

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

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

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

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

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

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

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

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

Durational Limits

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

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

Environmental, Social and Governance Investment Policy

10.24 The investment classes detailed in this Strategy are almost exclusively short term in nature, and therefore establishing investment criteria for environmental, social and governance (ESG) factors is challenging.

10.25 There are several approaches to ESG investing, but they all focus on investments which will have a positive return and a long-term impact in people, the environment, and how business is conducted. This is particularly important when the investment takes the form of equity, and therefore the investor can use their influence in corporate matters.

10.26 None of the investment classes contained within this Strategy provide that level of influence. Instead, the treasury management team will continue to screen potential investments to make sure that institutions demonstrate a significant level of commitment to ESG matters, are aligned to the Council's corporate objectives and approaches, and will not invest if there are concerns.

Money Market Funds

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

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

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

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

Treasury Bills

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

Certificates of Deposit

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

Covered Bonds

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

Liquidity

10.34 Based on cash flow forecasts, the level of cash balances in 2023/24 is estimated to range between £0m and £300m. The higher level can arise where for instance large Government grants are received or long-term borrowing has recently been undertaken.

Investment Strategy to be followed in-house

10.35 Link's view of the forecast Bank Rate is noted at Section 9. Link's view is that the Bank Rate will increase during 2023, given the high inflation outlook.

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

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

10.38 The Council uses the Sterling Overnight Index Average (SONIA) as a benchmark rate for investments and temporary borrowing following the phasing out of LIBOR by the Bank of England and the Financial Conduct Authority (FCA). SONIA represents the overnight rate of interest banks pay to borrow sterling overnight, unsecured, from other financial institutions.

10.39 This change means that the benchmark rate is now based on observable data, whereas LIBOR/ID was based on information provided by major banks. The impact on SONIA of changes in the Bank of England bank rate is far more immediate, particularly when compared to the investment instruments that the Council uses where there is a time lag between bank rate changing and the rate offered for the instrument reflecting that change.

10.40 For 2022/23 it is suggested the Council should target an investment return on investments placed during the financial year that is close to the SONIA. This reflects the ongoing market uncertainty, and the short term nature of any cash that the Council holds. For cash flow generated balances, the Council will seek to utilise its business reserve accounts and short-dated deposits (overnight to six months) in order to benefit from the compounding of interest.

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

End of year Investment Report

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

Policy on the use of External Service Providers

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

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

11 Non-Treasury Investments and Liabilities

11.1 CIPFA's revised Prudential and Treasury Management Codes acknowledge that authorities may hold non-treasury investments. These are investments held for service purposes, such as housing or regeneration, or commercial purposes. They are non-treasury because they are not related to the management of the authority's cash flows. Non-treasury investments are classed as capital expenditure.

11.2 The Council has a portfolio of non-treasury investments, including investment property, as outlined below. Such capital investments are regularly reviewed to ensure they continue to perform as expected. Whilst these investments are held for fundamentally different reasons compared to treasury management investments, it is important to set out how they will be managed, and the Council's overall approach.

Approach, Due Diligence and Risk Appetite

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

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

Summary of material investments, guarantees and liabilities

11.5 The Council has the current historic investments on the balance sheet as at 31st March 2022:

	Value as at 31/3/22
	£m
Long-term debtors	486.2
Long-term investments	141.5
Investment Property	493.7
Total	**1,121.4**

11.6 Long-term debtors are loan finance provided by the Council, including the loans to Manchester Airport (£313.9m), Public Finance Initiative prepayments (£20.9m), and Manchester College (£19.0m), for which repayments have begun. These loans are regularly reviewed and would be impaired if there was a risk of default.

11.7 Long-term investments are equity investments held including Manchester Airport (£112.4m), a car park at Manchester Airport (£4.8m), Destination Manchester (£10.2m) which is the Council's investment in Manchester Central, Manchester Science Park (£6.2m) and Matrix Homes (£5.6m). Investments are valued on an annual basis.

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

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

- Waste Contract - providing a loan to the contractor to upgrade vehicles.
- Civic Quarter Heat Network - creation of a heat network through a Council-owned company.
- Private Sector Housing Equity Loans - loans to residents to provide housing support
- This City – debt and equity to create a housing company providing affordable housing; and
- Victoria North – loans to support the Victoria North joint venture in acquiring land.

11.10 There may be other projects which become capital investments, such as to support the Eastern Gateway and Victoria North.

11.11 All investments are scrutinised via the capital approval process, including to Executive and Council as required, with independent financial, legal and other relevant advice sought.

11.12 Where investments provide a return through interest or dividends this can be used to support the revenue budget. For example, in 2022/23 c. £24.9m of dividends will be used within the revenue budget. Where investments are funded by borrowing the income received is used to fund the capital financing costs, for example the Airport Strategic Loan.

11.13 All investments are monitored regularly with the frequency based on risk, and any material changes are reported to the Deputy Chief Executive and City Treasurer at the earliest opportunity.

Commercial Investments

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

11.15 It is worth noting that investment property is considered, under CIPFA's Prudential Code, as a commercial investment, and so the Council does have assets of a commercial nature on the balance sheet.

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

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

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

11.18 The outcome of the consultation also requires local authorities to only invest within their economic area.

12 Skills and Knowledge

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

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

13 Scheme of Delegation

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

14 Role of the Section 151 Officer

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

15 Minimum Revenue Provision (MRP) Strategy

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

16 Recommendations

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

17 Contributing to a Zero-Carbon City

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

18 Contributing to the Our Manchester Strategy

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

19 Key Policies and Considerations

(a) Equal Opportunities

19.1 None.

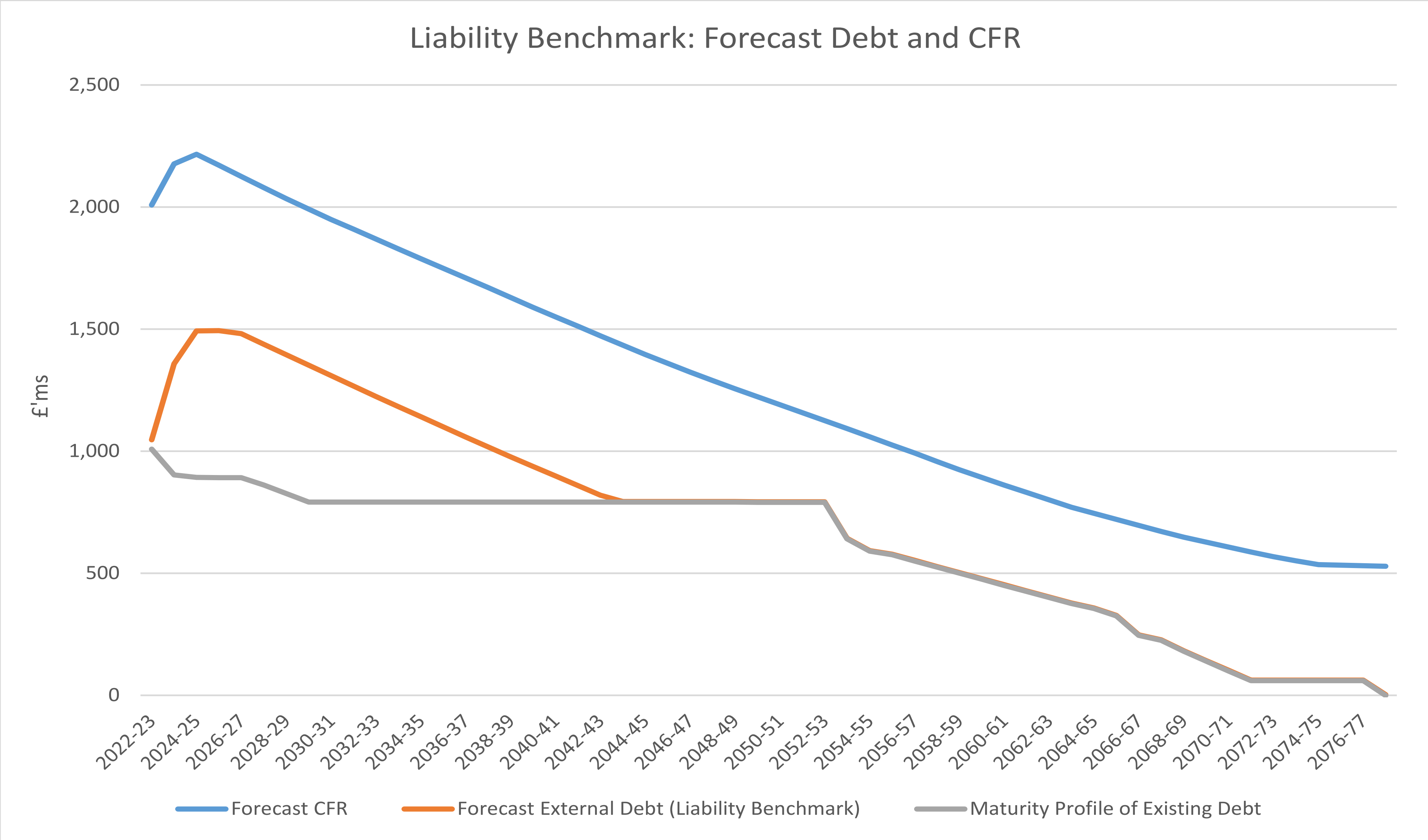
(b) Risk Management

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

(c) Legal Considerations

19.3 None.

Appendix A - Prudential and Treasury Indicators for approval



Please note last years approved figures are shown in brackets.

Treasury Management Indicators	**2023-24**		**2024-25**		**2025-26**
	%		%		%
Estimated Financing Costs to Net Revenue Stream[5]	5.49		5.37		5.34
Estimated Net Income from Commercial and Service Investments to Net Revenue Stream	10.8		10.6		10.4
	£m		£m		£m
Authorised Limit - external debt					
Borrowing	1,825.1	(1,816.1)	1,811.9	(1,816.1)	1,811.9
Other long-term liabilities	190.0	(190.0)	190.0	(190.0)	190.0
TOTAL	2,015.1	(2,006.1)	2,001.9	(2,006.1)	2,001.9
Operational Boundary - external debt					
Borrowing	1,620.5	(1,698.5)	1,726.3	(1,724.0)	1,728.1
Other long-term liabilities	190.0	(190.0)	190.0	(190.0)	190.0
TOTAL	1,810.5	(1,888.5)	1,916.3	(1,914.0)	1,918.1
Estimated external debt	1,465.5	(1,572.0)	1,611.0	(1,606.0)	1,613.3
Upper limit for total principal sums invested for over 364 days	0	(0)	0	(0)	0
Estimated Capital Expenditure					
Non - HRA	377.4	(223.2)	155.7	(51.3)	22.5
HRA	49.0	(31.9)	43.7	(14.6)	11.6
TOTAL	426.4	(255.1)	199.4	(65.9)	34.1
Estimated Capital Financing Requirement (as at 31 March)					
Non – HRA	1854,7	(1,895.8)	1893.7	(1,898.6)	1845.4
HRA	321.8	(321.8)	322.5	(322.6)	323.9
TOTAL	2,176.5	(2,220.6)	2,216.2	(2,221.2)	2,169.3

Maturity structure of borrowing during 2023-24	Upper Limit		Lower limit	

[5] Note that for 2024-25 onward these are based on estimated net revenue budgets.

under 12 months	70%	(70%)	0%	(0%)
12 months and within 24 months	60%	(70%)	0%	(0%)
24 months and within 5 years	40%	(60%)	0%	(0%)
5 years and within 10 years	50%	(60%)	0%	(0%)
10 years and above	80%	(90%)	30%	(30%)
Has the Authority adopted the CIPFA Treasury Management Code?				Yes

The status of the indicators will be included in Treasury Management reporting during 2023/24. They will also be included in the Council's Capital Budget monitoring reports during 2023/24.

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

Estimated Financing Costs to Net Revenue Stream

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

Estimated Net Income from Commercial and Service Investments to Net Revenue Stream

The authority will set for the forthcoming year and the following financial years an estimate of new income from commercial and service investments to net revenue stream. The indicator is intended to show the financial exposure of the authority to the loss of income, and therefore the proportionality of commercial and service investment income to the authority's overall budget.

Estimated Capital Expenditure

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

Estimates Capital Financing Requirement

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

Authorised Limit - external debt

The local authority will set for the forthcoming financial year and the following two financial years an authorised limit for its total external debt, excluding investments, separately identifying borrowing from other long-term liabilities. Other long-term liabilities include PFI's, service concessions and finance leases. Due to the introduction of IFRS16 (Leasing) on the 1st of April 2022, more of the Council's lessee leases will be classed as finance leases and will become other long-term liabilities, therefore the value will increase from previous years.

Work is underway to determine the value of this change in accounting standards, but £20.0m has been added to the indicator at this stage and will be reviewed once this work is complete. This prudential indicator is referred to as the Authorised Limit.

Operational Boundary - external debt

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

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

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

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

Estimated external debt

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

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

Upper limit for total principal sums invested for over 364 days

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

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

Maturity structure of new borrowing

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

Liability Benchmark

The liability benchmark is a projection of the amount of loan debt outstanding that the authority needs each year into the future to fund its existing debt liabilities, planned prudential borrowing and other cash flows. The benchmark shows the gap between the authority's outstanding loans at future points in time and the authority's need to for borrowing (the benchmark). It can be used to identify the debt maturities needed for new borrowing in order to match to future liabilities.

Local Prudential Indicators

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

Appendix B - Minimum Revenue Provision Strategy

The Council implemented the new Minimum Revenue Provision (MRP) guidance in 2011/12 and has assessed its MRP for 2023/24 in accordance with the main recommendations contained within the guidance issued by the Secretary of State under section 21(1A) of the Local Government Act 2003.
The Council is required to make provision for repayment of an element of the accumulated General Fund capital spend each year through a revenue charge (the Minimum Revenue Provision - MRP).
MHCLG Regulations require full Council to approve an MRP Statement, in advance of each year. If the Council wishes to amend its policy during the year this would need to be approved by full Council. A variety of options are available to councils to replace the previous Regulations, so long as there is a prudent provision. The options are:

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

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

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

- ***Option 4:*** Depreciation Method – MRP is calculated in accordance with the depreciation accounting required for the asset.

Options 1 and 2 may be used only for supported expenditure, which is capital expenditure for which the Council has been notified by Government that the costs of that expenditure will be considered in the calculation of Government funding due to the Council.

It is important to note that the Council can deviate from these options provided that the approach taken ensures that there is a prudent provision. The Council has historically followed option 1 for supported expenditure based on the level of support provided by Government through Revenue Support Grant (RSG).

The assets created or acquired under Supported Capital Expenditure predominantly had long asset lives of c. 50 years, such as land or buildings, and an MRP of 4% suggests a significantly shorter asset life. As the level of notional RSG the Council receives has reduced in recent years, it was considered prudent to review the approach to MRP on supported borrowing to reflect the Government support received.

It was therefore agreed that from 2017/18 a provision of 2% of the non-housing CFR as at the end of the preceding financial year is to be made. This is in line with many other local authorities who have reviewed the basis for their MRP and have applied similarly revised policies.

It is the Council's policy that MRP relating to an asset will start to be incurred in the year after the capital expenditure on the asset is incurred or, in the case of new assets, in the year following the asset coming into use, in accordance with MHCLG's guidance.

The Council recognises that there are different categories of capital expenditure, for which it will incur MRP as follows:

- For non HRA Supported Capital Expenditure: MRP policy will be charged at a rate of 2% on a similar basis to option 1 of the guidance (the regulatory method) but at a lower rate, better reflecting the asset lives of the assets funded through Supported Borrowing.

- For non HRA unsupported capital expenditure incurred the MRP policy will be:
  - Asset Life Method – MRP will be based on a straight-line basis or annuity method so linking the MRP to the future flow of benefits from the asset, dependant on the nature of the capital expenditure, in accordance with option 3 of the guidance.

  - If the expenditure is capital by virtue of a Ministerial direction, has been capitalised under a Capitalisation Directive, or does not create a council asset, MRP will be provided in accordance with option 3 of the guidance with asset lives calculated as per the table below:

Expenditure type	**Maximum period over which MRP to be made**
Expenditure capitalised by virtue of a direction under s16 (2) (b).	20 years.
Regulation 25(1) (a). Expenditure on computer programs.	Same period as for computer hardware.
Regulation 25(1) (b). Loans and grants towards capital expenditure by third parties.	The estimated life of the assets in relation to which the third-party expenditure is incurred.
Regulation 25(1) (c). Repayment of grants and loans for capital expenditure.	25 years or the period of the loan if longer.
Regulation 25(1) (d). Acquisition of share or loan capital.	20 years, or the estimated life of the asset acquired.
Regulation 25(1) (e). Expenditure on works to assets not owned by the authority.	The estimated life of the assets.
Regulation 25(1) (ea). Expenditure on assets for use by others.	The estimated life of the assets.
Regulation 25(1) (f). Payment of levy on Large Scale Voluntary Transfers (LSVTs) of dwellings.	25 years.

- For PFI service concessions and some lessee interests: Following the move to International Accounting Standards arrangements under private finance initiatives (PFIs) service concessions and some lessee interests (including embedded leases) are accounted for on the Council's Balance Sheet, and with the introduction of IFRS16 (Leasing) from the 1st of April 2022 more lessee leases will be classified in a similar way. Where this occurs, a part of the contract charge or rent payable will be taken to reduce the Balance Sheet liability rather than being charged as revenue expenditure. The MRP element of these schemes will be the amount of contract charge or rental payment charged against the Balance Sheet liability. This approach will produce an MRP charge comparable to that under option 3 in that it will run over the life of the lease or PFI scheme.

In some exceptional cases, the Council will deviate from the policy laid out above provided such exceptions remain prudent. Any exceptions are listed below:

- Where capital expenditure is incurred through providing loans to organisations, and where those loans are indemnified or have financial guarantees protecting against loss from a third party of high credit quality, no MRP will be charged in relation to the capital expenditure. Similarly, loans given by the Council where any losses incurred on the investment will impact solely on a third party, such as those provided under the City Deal arrangement with the HCA, will not require an MRP charge.

Appendix C - Treasury Management Policy Statement

1. This organisation defines its treasury management activities as:
   The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

2. This organisation regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered to manage these risks.

3. This organisation acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

The Council will invest its monies prudently, considering security first, liquidity second, and yield last, carefully considering its investment counterparties. It will similarly borrow monies prudently and consistent with the Council's service objectives.

Appendix D =- Treasury Management Scheme of Delegation

i **Full Council**
- receiving and reviewing reports on treasury management policies, practices and activities
- approval of annual strategy

ii **Responsible body – Audit Committee**
- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices
- budget consideration and approval
- approval of the division of responsibilities
- receiving and reviewing regular monitoring reports and acting on recommendations
- approving the selection of external service providers and agreeing terms of appointment

iii **Body with responsibility for scrutiny** - Resource and Governance Scrutiny Committee
- reviewing the treasury management policy and procedures and making recommendations to the responsible body

iv **Deputy Chief Executive and City Treasurer**
- delivery of the function

Appendix E

The Treasury Management role of the Section 151 Officer
The S151 (responsible) Officer

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance
- submitting regular treasury management policy reports
- submitting budgets and budget variations
- receiving and reviewing management information reports
- reviewing the performance of the treasury management function
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
- ensuring the adequacy of internal audit, and liaising with external audit
- recommending the appointment of external service providers

The points noted above reflect the specific responsibilities of the S151 Officer prior to the 2017 CIPFA Treasury Management Code revisions. The CIPFA Prudential Code revision which followed the MHCLG revised guidance on local government investments represents a major extension of the functions of the S151 Officer role, especially in respect of non-financial investments which CIPFA define as being part of treasury management.
The additional functions of the S151 Officer role are:

- preparation of a capital strategy with a long-term timeframe to include capital expenditure, capital financing, non-financial investments and treasury management
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- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority
- ensuring that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long-term liabilities
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees
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- creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed, to include the following:
  - Risk management including investment and risk management criteria for any material non-treasury investment portfolios;
  - Performance measurement and management including methodology and criteria for assessing the performance and success of non-treasury investments;
  - Decision making, governance and organisation including a statement of the governance requirements for decision making in relation to non-treasury investments; and arrangements to ensure that appropriate professional due diligence is carried out to support decision making;

- Reporting and management information including where and how often monitoring reports are taken;
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Appendix F

Economic Background January 2023 – Link Asset Services

This section has been prepared by the Council's Treasury Advisors, Link Asset Services, for the Treasury Management Strategy Statement 2023/24.

Against a backdrop of stubborn inflationary pressures, the easing of Covid restrictions in most developed economies, the Russian invasion of Ukraine, and a range of different UK Government policies, it is no surprise that UK interest rates have been volatile right across the curve, from Bank Rate through to 50-year gilt yields, for all of 2022.
Market commentators' misplaced optimism around inflation has been the root cause of the rout in the bond markets with, for example, UK, EZ and US 10-year yields all rising by over 200bps since the turn of the year. The table below provides a snapshot of the conundrum facing central banks: inflation is elevated but labour markets are extra-ordinarily tight, making it an issue of fine judgment as to how far monetary policy needs to tighten.

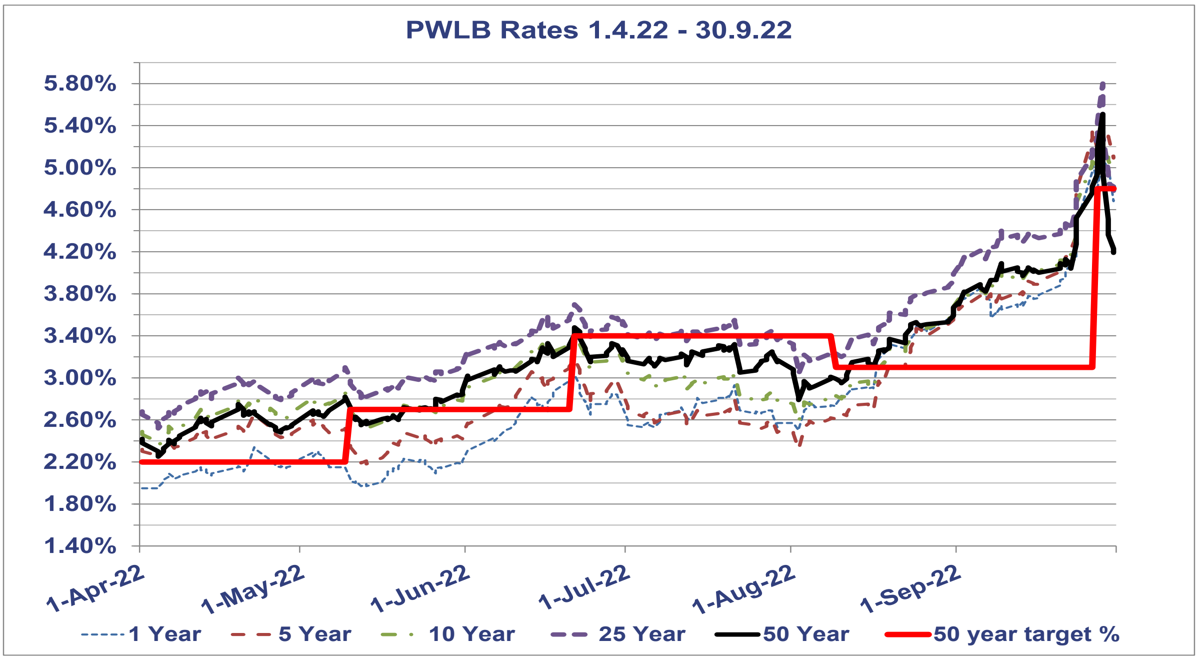
	UK	Eurozone	US
Bank Rate	3.5%	2.0%	4.25%-4.50%
GDP	-0.2%q/q Q3 (2.4%y/y)	+0.2%q/q Q3 (2.1%y/y)	2.6% Q3 Annualised
Inflation	10.7%y/y (Nov)	10.1%y/y (Nov)	7.1%y/y (Nov)
Unemployment Rate	3.7% (Oct)	6.5% (Oct)	3.7% (Nov)

Q2 of 2022 saw UK GDP revised upwards to +0.2% q/q, but this was quickly reversed in the third quarter, albeit some of the fall in GDP can be placed at the foot of the extra Bank Holiday in the wake of the Queen's passing. Nevertheless, CPI inflation has picked up to what should be a peak reading of 11.1% in October, although with further increases in the gas and electricity price caps pencilled in for April 2023, and the cap potentially rising from an average of £2,500 to £3,000 per household, there is still a possibility that inflation will spike higher again before dropping back slowly through 2023.
The UK unemployment rate fell to a 48-year low of 3.6%, and this despite a net migration increase of c500k. The fact is that with many economic participants registered as long-term sick, the UK labour force actually shrunk by c500k in the year to June. Without an increase in the labour force participation rate, it is hard to see how the UK economy will be able to grow its way to prosperity, and with average wage increases running at over 6% the MPC will be concerned that wage inflation will prove just as sticky as major supply-side shocks to food and energy that have endured since Russia's invasion of Ukraine on 22nd February 2022.
Throughout Q3 Bank Rate increased, finishing the quarter at 2.25% (an increase of 1%). Q4 has seen rates rise to 3.5% in December and the market expects Bank Rate to hit 4.5% by May 2023.
Following a Conservative Party leadership contest, Liz Truss became Prime Minister for a tumultuous seven weeks that ran through September and October. Put simply, the markets did not like the unfunded tax-cutting and heavy spending policies put forward by her Chancellor, Kwasi Kwarteng, and their reign lasted barely seven weeks before being replaced by Prime Minister Rishi Sunak and Chancellor Jeremy Hunt. Their Autumn Statement of 17th November gave rise to a net £55bn fiscal tightening, although much of the "heavy lifting" has been left for the next Parliament to deliver. However, the markets liked what they heard, and UK gilt yields have almost completely reversed the increases seen under the previous tenants of No10/11 Downing Street.

Globally, though, all the major economies are expected to struggle in the near term. The fall below 50 in the composite Purchasing Manager Indices for the UK, US, EZ and China all point to at least one, if not more, quarters of GDP contraction. In November, the MPC projected eight quarters of negative growth for the UK lasting throughout 2023 and 2024, but with Bank Rate set to peak at lower levels than previously priced in by the markets and the fiscal tightening deferred to some extent, it is not clear that things will be as bad as first anticipated by the Bank.

The £ has strengthened of late, recovering from a record low of $1.035, on the Monday following the Truss government's "fiscal event", to $1.22. Notwithstanding the £'s better run of late, 2023 is likely to see a housing correction of some magnitude as fixed-rate mortgages have moved above 5% and affordability has been squeezed despite proposed Stamp Duty cuts remaining in place.

In the table below, the rise in gilt yields, and therein PWLB rates, through the first half of 2022/23 is clear to see.



However, the peak in rates on 28th September as illustrated in the table covering April to September 2022 below, has been followed by the whole curve shifting lower. PWLB rates at the front end of the curve are generally over 1% lower now whilst the 50 years is over 1.75% lower.

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	1.95%	2.18%	2.36%	2.52%	2.25%
Date	01/04/2022	13/05/2022	04/04/2022	04/04/2022	04/04/2022
High	5.11%	5.44%	5.35%	5.80%	5.51%
Date	28/09/2022	28/09/2022	28/09/2022	28/09/2022	28/09/2022
Average	2.81%	2.92%	3.13%	3.44%	3.17%
Spread	3.16%	3.26%	2.99%	3.28%	3.26%

After a shaky start to the year, the S&P 500 and FTSE 100 have climbed in recent weeks, albeit the former is still 17% down and the FTSE 2% up. The German DAX is 9% down for the year.

CENTRAL BANK CONCERNS – DECEMBER 2022

In December, the Fed decided to push up US rates by 0.5% to a range of 4.25% to 4.5%, whilst the MPC followed by raising Bank Rate from 3% to 3.5%, in line with market expectations. EZ rates have also increased to 2% with further tightening in the pipeline.

Having said that, the sentiment expressed in the press conferences in the US and the UK were very different. In the US, Fed Chair, Jerome Powell, stated that rates will be elevated and stay higher for longer than markets had expected. Governor Bailey, here in the UK, said the opposite and explained that the two economies are positioned very differently so you should not, therefore, expect the same policy or messaging.

Regarding UK market expectations, although they now expect Bank Rate to peak within a lower range of 4.5% - 4.75%, caution is advised as the Bank of England Quarterly Monetary Policy Reports have carried a dovish message over the course of the last year, only for the Bank to have to play catch-up as the inflationary data has proven stronger than expected.

In addition, the Bank's central message that GDP will fall for eight quarters starting with Q3 2022 may prove to be a little pessimistic. Will the £160bn excess savings accumulated by households through the Covid lockdowns provide a spending buffer for the economy – at least to a degree? Ultimately, however, it will not only be inflation data but also employment data that will mostly impact the decision-making process, although any softening in the interest rate outlook in the US may also have an effect (just as, conversely, greater tightening may also).

Appendix G

Interest Rate Forecasts 2022 – 2025
PWLB forecasts shown below have taken into account the 20 basis point certainty rate reduction effective as of the 1st November 2012.

	MAR-23	Jun-23	Sep-23	Dec-23	Mar-24	Dec-24	Mar-25	Dec-
Bank Rate	4.25	4.50	4.50	4.50	4.00	3.25	3.00	2.50
5yr PWLB	4.20	4.20	4.10	4.00	3.90	3.50	3.40	3.10
10yr PWLB	4.40	4.40	4.30	4.10	4.00	3.60	3.50	3.30
25yr PWLB	4.60	4.60	4.50	4.00	4.20	3.90	3.70	3.50
50yr PWLB	4.30	4.30	4.20	4.10	3.90	3.60	3.50	3.20

The Link forecasts are as at 19.12.22.

Appendix H

Glossary of Terms

Authorised Limit - This Prudential Indicator represents the limit beyond which borrowing is prohibited and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable. It is the expected maximum borrowing need, with some headroom for unexpected movements.

Bank Rate - the rate at which the Bank of England offers loans to the wholesale banks, thereby controlling general interest rates in the economy.

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

Covered Bonds - Debt instruments secured by assets such as mortgage loans. These loans remain on the issuer's balance sheet and investors have a preferential claim in the event of the issuing institution defaulting.

Credit Rating - A qualified assessment and formal evaluation of an institution's (bank or building society) credit history and capability of repaying obligations. It measures the probability of the borrower defaulting on its financial obligations, and its ability to repay these fully and on time.

Discount - Where the prevailing interest rate is higher than the fixed rate of a long-term loan, which is being repaid early, the lender can refund the borrower a discount, the calculation being based on the difference between the two interest rates over the remaining years of the loan, discounted back to present value. The lender can offer the discount, as their investment will now earn more than when the original loan was taken out.

Fixed Rate Funding - A fixed rate of interest throughout the time of the loan. The rate is fixed at the start of the loan and therefore does not affect the volatility of the portfolio, until the debt matures and requires replacing at the interest rates relevant at that time.

Gilts - The loan instruments by which the Government borrows. Interest rates will reflect the level of demand shown by investors when the Government auctions Gilts.

High/Low Coupon - High/Low interest rate

LIBID (London Interbank Bid Rate) - This is an average rate, calculated from the rates at which individual major banks in London are willing to borrow from other banks for a time period. For example, 6-month LIBID is the average rate at which banks are willing to pay to borrow for 6 months.

LIBOR (London Interbank Offer Rate) - This is an average rate, calculated from the rates which major banks in London estimate they would be charged if they borrowed from other banks for a time period. For example, 6-month LIBOR is the average rate which banks believe they will be charged for borrowing for 6 months.

Liquidity - The ability of an asset to be converted into cash quickly and without any price discount. The more liquid a business is, the better able it is to meet short-term financial obligations.

LOBO (Lender Option Borrower Option) - This is a type of loan where, at various periods known as call dates, the lender has the option to alter the interest rate on the loan. Should the lender exercise this option, the borrower has a corresponding option to repay the loan in full without penalty.

Market -The private sector institutions - Banks, Building Societies etc.

Maturity Profile/Structure - an illustration of when debts are due to mature, and either must be renewed or money found to pay off the debt. A high concentration in one year will make the Council vulnerable to current interest rates in that year.

Monetary Policy Committee - the independent body that determines Bank Rate.

Money Market Funds - Investment instruments that invest in a variety of institutions, therefore diversifying the investment risk.

Operational Boundary – This Prudential Indicator is based on the probable external debt during the year. It is not a limit and actual borrowing could vary around this boundary for short times during the year. It should act as an indicator to ensure the Authorised Limit is not breached.

Premium - Where the prevailing current interest rate is lower than the fixed rate of a long-term loan, which is being repaid early, the lender can charge the borrower a premium, the calculation being based on the difference between the two interest rates over the remaining years of the loan, discounted back to present value. The lender may charge the premium, as their investment will now earn less than when the original loan was taken out.

Prudential Code - The Local Government Act 2003 requires the Council to 'have regard to Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

PWLB - Public Works Loan Board. Part of the Government's Debt Management Office, which provides loans to public bodies at rates reflecting those at which the Government can sell Gilts.

SONIA – Sterling Overnight Index Average (SONIA) is an interest rate benchmark which is based on actual transactions and reflects the average of the interest rates that banks pay to borrow sterling overnight from other financial institutions and other institutional investors.

Specified Investments - Sterling investments of not more than one-year maturity. These are considered low risk assets, where the possibility of loss of principal or investment income is very low.

Non-specified investments - Investments not in the above, specified category, e.g., foreign currency, exceeding one year or outside our minimum credit rating criteria.

Treasury Bills - These are marketable securities issued by the UK Government and as such counterparty and liquidity risk is very low.

Variable Rate Funding - The rate of interest either continually moves reflecting interest rates of the day; or can be tied to specific dates during the loan period. Rates may be updated on a monthly, quarterly or annual basis.

Volatility - The degree to which the debt portfolio is affected by current interest rate movements. The more debt maturing within the coming year and needing replacement, and the more debt subject to variable interest rates, the greater the volatility.

Yield Curve - A graph of the relationship of interest rates to the length of the loan. A normal yield curve will show interest rates relatively low for short-term loans compared to long-term loans. An inverted Yield Curve is the opposite of this.

Appendix I

Treasury Management Implications of HRA Reform

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

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

The Portfolio Split

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

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

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

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

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

CFRs	Pre reform		Post reform	% of total
	£'000		*£'000*	
General Fund	675,454		675,454	84.47%
HRA	418,463		124,187	15.53%
Total	**1,093,917**		**799,641**	**100.00%**
		Of which financed:	*488,374*	
		Of which unfinanced:	*311,267*	

As can be seen from the tables below, the debt was to split in a ratio of 84.47:15.53 between the General Fund and the HRA, including the unfinanced CFR element. This is the level of internal borrowing undertaken in lieu of external borrowing, through the use of cash balances to fund expenditure rather than external borrowing. It was decided, for administrative reasons, that all of the Council's remaining stock debt should be held by the General Fund, which increased the relative level of unfinanced CFR held by the HRA.

The final split of the debt portfolio is shown in the table below:

	General Fund	HRA	Total
	£'000	*£'000*	*£'000*
Market	405,636	74,579	480,215
% of total market	*84.47%*	*15.53%*	
Stock	8,159	0	8,159
% of stock	*100.00%*	*0.00%*	
Total Loans	**413,795**	**74,579**	**488,374**
% of total loans	*84.73%*	*15.27%*	
Unfinanced CFR	261,659	49,608	311,267
% of unfinanced CFR	*84.06%*	*15.94%*	
Total CFR	**675,454**	**124,187**	**799,641**
% of total CFR	*84.47%*	*15.53%*	

Future HRA borrowing

Following the split of the portfolio, the HRA can make borrowing decisions according to the needs of their business plan, provided those decisions are aligned with their treasury strategy and are agreed by the Section 151 officer. The amounts and maturity periods of any future loans will be determined by the HRA, in conjunction with the Treasury Management team and the Deputy Chief Executive and City Treasurer. Any future borrowing made by the Council will be for either the General Fund or the HRA and not for the Council in general.

Use of Temporary Cash Balances and Temporary Borrowing

Although the HRA's treasury position is now independent of the General Fund, both are managed in the name of the Council as a whole. As such, the day to day treasury position of the Council, whilst having regard to the impact on the HRA and the General Fund, will be run on a Council basis – this simplifies the risk management of the treasury position, and should help to ensure that the treasury function is providing value for money.

To achieve this, the General Fund will deposit and temporarily borrow externally, but the HRA will only be able to deposit with the General Fund and, should it be required, will only be able to access temporary borrowing through the General Fund. In order to ensure that this is fair, interest rates will be applied to any such internal transfers, as summarised below:

- If the General Fund has temporary investments, HRA investments with the General Fund will earn – ***average portfolio temporary investment rate***

- If the General Fund does not have temporary investments, HRA investments with the General Fund will earn – ***SONIA***

- If the General Fund has temporary borrowing, HRA temporary borrowing from the General Fund will be charged – ***average portfolio temporary borrowing rate***

- If the General fund does not have temporary borrowing, HRA temporary borrowing from the General Fund will be charged – ***SONIA***

The Bank of England and the Financial Conduct Authority (FCA) are committed to phasing out LIBOR before the end of 2021. Therefore, the market rates used are SONIA which the Council will use for benchmarking investments and temporary borrowing.

Future Reporting

The intention is to continue to report to Members the overall treasury position of the Council, including both the General Fund and the HRA. Separate reports will be provided on the General Fund and the HRA, when required.

Appendix E - The Treasury Management role of the Section 151 Officer

The S151 (responsible) Officer

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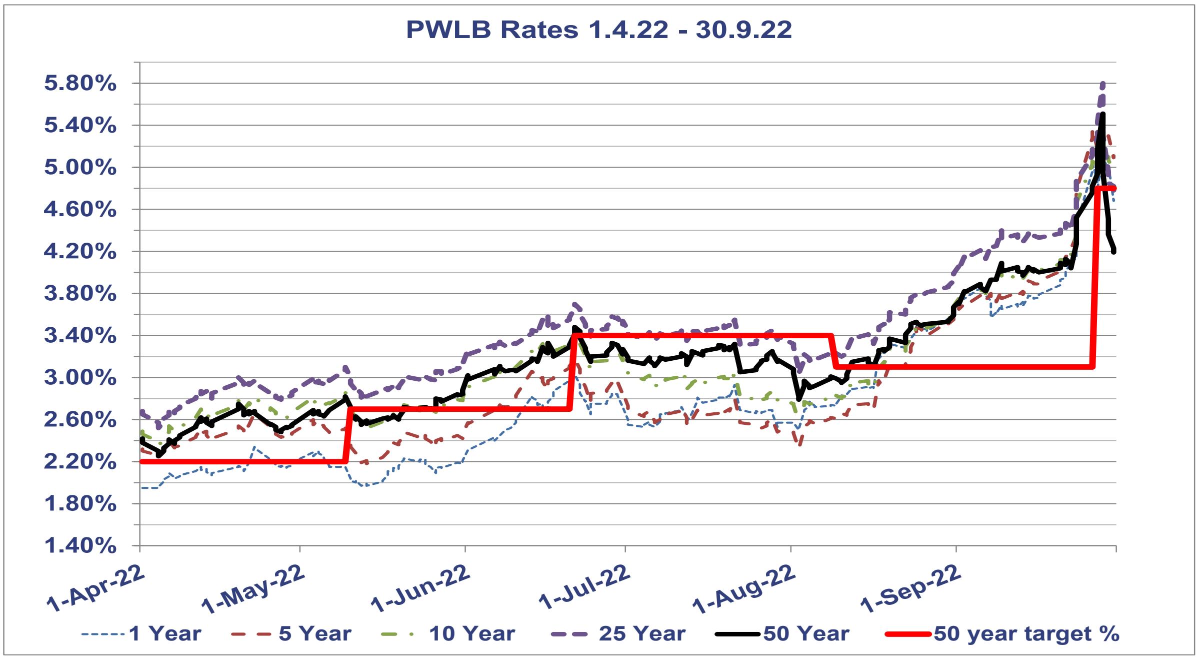

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CENTRAL BANK CONCERNS – DECEMBER 2022

In December, the Fed decided to push up US rates by 0.5% to a range of 4.25% to 4.5%, whilst the MPC followed by raising Bank Rate from 3% to 3.5%, in line with market expectations. EZ rates have also increased to 2% with further tightening in the pipeline.

Having said that, the sentiment expressed in the press conferences in the US and the UK were very different. In the US, Fed Chair, Jerome Powell, stated that rates will be elevated and stay higher for longer than markets had expected. Governor Bailey, here in the UK, said the opposite and explained that the two economies are positioned very differently so you should not, therefore, expect the same policy or messaging.

Regarding UK market expectations, although they now expect Bank Rate to peak within a lower range of 4.5% - 4.75%, caution is advised as the Bank of England Quarterly Monetary Policy Reports have carried a dovish message over the course of the last year, only for the Bank to have to play catch-up as the inflationary data has proven stronger than expected.

In addition, the Bank's central message that GDP will fall for eight quarters starting with Q3 2022 may prove to be a little pessimistic. Will the £160bn excess savings accumulated by households through the Covid lockdowns provide a spending buffer for the economy – at least to a degree? Ultimately, however, it will not only be inflation data but also employment data that will mostly impact the decision-making process, although any softening in the interest rate outlook in the US may also have an effect (just as, conversely, greater tightening may also).

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Appendix G - Interest Rate Forecasts 2022 – 2025

PWLB forecasts shown below have taken into account the 20 basis point certainty rate reduction effective as of the 1st November 2012.

	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Dec-24	Mar-25	Dec-25
Bank Rate	4.25	4.50	4.50	4.50	4.00	3.25	3.00	2.50
5yr PWLB	4.20	4.20	4.10	4.00	3.90	3.50	3.40	3.10
10yr PWLB	4.40	4.40	4.30	4.10	4.00	3.60	3.50	3.30
25yr PWLB	4.60	4.60	4.50	4.00	4.20	3.90	3.70	3.50
50yr PWLB	4.30	4.30	4.20	4.10	3.90	3.60	3.50	3.20

The Link forecasts are as at 19.12.22.

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Appendix H - Glossary of Terms

Authorised Limit - This Prudential Indicator represents the limit beyond which borrowing is prohibited and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable. It is the expected maximum borrowing need, with some headroom for unexpected movements.

Bank Rate - the rate at which the Bank of England offers loans to the wholesale banks, thereby controlling general interest rates in the economy.

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

Covered Bonds - Debt instruments secured by assets such as mortgage loans. These loans remain on the issuer's balance sheet and investors have a preferential claim in the event of the issuing institution defaulting.

Credit Rating - A qualified assessment and formal evaluation of an institution's (bank or building society) credit history and capability of repaying obligations. It measures the probability of the borrower defaulting on its financial obligations, and its ability to repay these fully and on time.

Discount - Where the prevailing interest rate is higher than the fixed rate of a long-term loan, which is being repaid early, the lender can refund the borrower a discount, the calculation being based on the difference between the two interest rates over the remaining years of the loan, discounted back to present value. The lender can offer the discount, as their investment will now earn more than when the original loan was taken out.

Fixed Rate Funding - A fixed rate of interest throughout the time of the loan. The rate is fixed at the start of the loan and therefore does not affect the volatility of the portfolio, until the debt matures and requires replacing at the interest rates relevant at that time.

Gilts - The loan instruments by which the Government borrows. Interest rates will reflect the level of demand shown by investors when the Government auctions Gilts.

High/Low Coupon - High/Low interest rate

LIBID (London Interbank Bid Rate) - This is an average rate, calculated from the rates at which individual major banks in London are willing to borrow from other banks for a time period. For example, 6-month LIBID is the average rate at which banks are willing to pay to borrow for 6 months.

LIBOR (London Interbank Offer Rate) - This is an average rate, calculated from the rates which major banks in London estimate they would be charged if they borrowed from other banks for a time period. For example, 6-month LIBOR is the average rate which banks believe they will be charged for borrowing for 6 months.

Liquidity - The ability of an asset to be converted into cash quickly and without any price discount. The more liquid a business is, the better able it is to meet short-term financial obligations.

LOBO (Lender Option Borrower Option) - This is a type of loan where, at various periods known as call dates, the lender has the option to alter the interest rate on the loan. Should the lender exercise this option, the borrower has a corresponding option to repay the loan in full without penalty.

Market -The private sector institutions - Banks, Building Societies etc.

Maturity Profile/Structure - an illustration of when debts are due to mature, and either must be renewed or money found to pay off the debt. A high concentration in one year will make the Council vulnerable to current interest rates in that year.

Monetary Policy Committee - the independent body that determines Bank Rate.

Money Market Funds - Investment instruments that invest in a variety of institutions, therefore diversifying the investment risk.

Operational Boundary – This Prudential Indicator is based on the probable external debt during the year. It is not a limit and actual borrowing could vary around this boundary for short times during the year. It should act as an indicator to ensure the Authorised Limit is not breached.

Premium - Where the prevailing current interest rate is lower than the fixed rate of a long-term loan, which is being repaid early, the lender can charge the borrower a premium, the calculation being based on the difference between the two interest rates over the remaining years of the loan, discounted back to present value. The lender may charge the premium, as their investment will now earn less than when the original loan was taken out.

Prudential Code - The Local Government Act 2003 requires the Council to 'have regard to Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

PWLB - Public Works Loan Board. Part of the Government's Debt Management Office, which provides loans to public bodies at rates reflecting those at which the Government can sell Gilts.

SONIA – Sterling Overnight Index Average (SONIA) is an interest rate benchmark which is based on actual transactions and reflects the average of the interest rates that banks pay to borrow sterling overnight from other financial institutions and other institutional investors.

Specified Investments - Sterling investments of not more than one-year maturity. These are considered low risk assets, where the possibility of loss of principal or investment income is very low.

Non-specified investments - Investments not in the above, specified category, e.g., foreign currency, exceeding one year or outside our minimum credit rating criteria.

Treasury Bills - These are marketable securities issued by the UK Government and as such counterparty and liquidity risk is very low.

Variable Rate Funding - The rate of interest either continually moves reflecting interest rates of the day; or can be tied to specific dates during the loan period. Rates may be updated on a monthly, quarterly or annual basis.

Volatility - The degree to which the debt portfolio is affected by current interest rate movements. The more debt maturing within the coming year and needing replacement, and the more debt subject to variable interest rates, the greater the volatility.

Yield Curve - A graph of the relationship of interest rates to the length of the loan. A normal yield curve will show interest rates relatively low for short-term loans compared to long-term loans. An inverted Yield Curve is the opposite of this.

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Appendix I - Treasury Management Implications of HRA Reform

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

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

The Portfolio Split

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

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

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

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

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

CFRs	Pre reform		Post reform	% of total
	£'000		*£'000*	
General Fund	675,454		675,454	84.47%
HRA	418,463		124,187	15.53%
Total	**1,093,917**		**799,641**	**100.00%**
		Of which financed:	*488,374*	
		Of which unfinanced:	*311,267*	

As can be seen from the tables below, the debt was to split in a ratio of 84.47:15.53 between the General Fund and the HRA, including the unfinanced CFR element. This is the level of internal borrowing undertaken in lieu of external borrowing, through the use of cash balances to fund expenditure rather than external borrowing. It was decided, for administrative reasons, that all of the Council's remaining stock debt should be held by the General Fund, which increased the relative level of unfinanced CFR held by the HRA.

The final split of the debt portfolio is shown in the table below:

	General Fund	HRA	Total
	£'000	*£'000*	*£'000*
Market	405,636	74,579	480,215
% of total market	*84.47%*	*15.53%*	
Stock	8,159	0	8,159
% of stock	*100.00%*	*0.00%*	
Total Loans	**413,795**	**74,579**	**488,374**
% of total loans	*84.73%*	*15.27%*	
Unfinanced CFR	261,659	49,608	311,267
% of unfinanced CFR	*84.06%*	*15.94%*	
Total CFR	**675,454**	**124,187**	**799,641**
% of total CFR	*84.47%*	*15.53%*	

Future HRA borrowing

Following the split of the portfolio, the HRA can make borrowing decisions according to the needs of their business plan, provided those decisions are aligned with their treasury strategy and are agreed by the Section 151 officer. The amounts and maturity periods of any future loans will be determined by the HRA, in conjunction with the Treasury Management team and the Deputy Chief Executive and City Treasurer. Any future borrowing made by the Council will be for either the General Fund or the HRA and not for the Council in general.

Use of Temporary Cash Balances and Temporary Borrowing

Although the HRA's treasury position is now independent of the General Fund, both are managed in the name of the Council as a whole. As such, the day to day treasury position of the Council, whilst having regard to the impact on the HRA and the General Fund, will be run on a Council basis – this simplifies the risk management of the treasury position, and should help to ensure that the treasury function is providing value for money.

To achieve this, the General Fund will deposit and temporarily borrow externally, but the HRA will only be able to deposit with the General Fund and, should it be required, will only be able to access temporary borrowing through the General Fund. In order to ensure that this is fair, interest rates will be applied to any such internal transfers, as summarised below:

- If the General Fund has temporary investments, HRA investments with the General Fund will earn – ***average portfolio temporary investment rate***

- If the General Fund does not have temporary investments, HRA investments with the General Fund will earn – ***SONIA***

- If the General Fund has temporary borrowing, HRA temporary borrowing from the General Fund will be charged – ***average portfolio temporary borrowing rate***

- If the General fund does not have temporary borrowing, HRA temporary borrowing from the General Fund will be charged – ***SONIA***

The Bank of England and the Financial Conduct Authority (FCA) are committed to phasing out LIBOR before the end of 2021. Therefore, the market rates used are SONIA which the Council will use for benchmarking investments and temporary borrowing.

Future Reporting

The intention is to continue to report to Members the overall treasury position of the Council, including both the General Fund and the HRA. Separate reports will be provided on the General Fund and the HRA, when required.

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Manchester City Council
Report for Resolution

Report to:	Resources and Governance Scrutiny Committee – 27 February 2023 Council - 3 March 2023
Subject:	Details of Proposed Budget Amendments
Report of:	The City Solicitor

Summary

This report provides details of amendments to the Executive's budget proposals that have been submitted in accordance with Paragraph 18.3 of the Council's Rule of Procedure.

Recommendations

The Committee is recommended to give consideration to the proposed budget amendments and, if appropriate, make recommendations to Council.

Wards Affected: All

Environmental Impact Assessment - the impact of the issues addressed in this report on achieving the zero-carbon target for the city
Not applicable.

Equality, Diversity and Inclusion - the impact of the issues addressed in this report in meeting our Public Sector Equality Duty and broader equality commitments
Not applicable.

Manchester Strategy outcomes	Summary of how this report aligns to the OMS/Contribution to the Strategy
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	Not applicable.
A highly skilled city: world class and home-grown talent sustaining the city's economic success	Not applicable.
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	Not applicable.
A liveable and low carbon city: a destination of choice to live, visit, work	Not applicable.
A connected city: world class infrastructure and connectivity to drive growth	Not applicable.

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Background documents (available for public inspection):

None

1.0 Introduction

1.1 In accordance with Council Rule of Procedure 18.3, when the Executive makes recommendations to the Council in relation to calculating the budget requirement and setting the Council tax, any amendments to those recommendations which affect those calculations, or the level of Council Tax must be submitted in writing and received by the Chief Executive by 4.00 p.m. on the seventh day after the meeting of the Executive (this being Wednesday 22 February 2023).

1.2 Any such amendment, together with the recommendations of the Executive, is to be referred to the Resources and Governance Scrutiny Committee which will report to the Council meeting in March at which the Council calculates the budget and sets the Council Tax ("the Budget Council").

1.3 In doing so, nothing in Rule 18.3 will prevent Members moving amendments at Budget Council in accordance with Rule 18.1 (amendments to be moved at Council must be in writing and be received by the Chief Executive at least 30 minutes before the meeting) or the Executive reconvening and revising their recommendations to Budget Council.

1.4 Where such amendments or revised recommendations arise out of the proceedings of the Resources and Governance Scrutiny Committee, nor will anything in Rule 18.3 require a further meeting of the Resources and Governance Scrutiny Committee in such circumstances.

2.0 Details of Amendments Received

2.1 **Amendment (1) proposed by Councillor Leech, seconded by Councillor Good**

To allocate a budget of £900,000 to enable the Council to deliver a Council Tax rebate to Manchester residents in receipt of the maximum Council Tax support equivalent to increasing the maximum support from 82.5% to 85%; to be funded through the transfer from the General Fund Reserve.

To allocate a budget of £1,000,000 to invest additional resources into highways maintenance, to tackle the backlog of road and pavement repairs and gully repairs, to save money on future accident trip claims and to reduce the ongoing day to day maintenance costs on gully clearing and repairs; to be funded from the Budget Smoothing Reserve.

All proposals in this amendment are one off spending commitments for 2023/2024.

Received 22 February at 07:48.

3.0 Recommendations

3.1 The recommendations are set out at the front of this report.

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Manchester City Council
Report for Resolution

Report to: Council – 3 March 2023

Subject: Council Tax Resolution for 2023/24

Report of: Deputy Chief Executive and City Treasurer, Chief Executive and City Solicitor

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Summary

To advise the Council of the recommended Council Tax resolution and Collection Fund Budget for 2023/24.

Recommendations

The Council is recommended to:

1. Adopt those proceedings of the Executive on 15 February 2023 which contain details of the following:
   - Medium Term Financial Strategy and Revenue Budget 2023/24
   - Corporate Core Budget 2023/24
   - Children and Education Services Budget 2023/24
   - Public Health Budget 2023/24
   - Adult Social Care Budget 2023/24
   - Neighbourhoods Budget 2023/24 (1 – Communities and Equalities committee)
   - Neighbourhoods Budget 2023/24 (2 – Environment and Climate Change committee)
   - Zero Carbon Budget 2023/24
   - Homelessness Budget 2023/24
   - Growth and Development Budget 2023/24
   - Housing Revenue Account 2023/24 to 2025/26
   - Schools Budget 2023/24
   - Capital Strategy and Budget 2023/24 to 2025/26
   - Treasury Management Strategy Statement 2023/24, including Borrowing Limits and Annual Investment Strategy

2. Note the proposed Savings and Efficiencies as detailed in Appendix 1 to this report.

3. Note the proposed Growth and Investments as detailed in Appendix 2 to this report.

4. Note the position on Reserves as detailed in Appendix 3 to this report.

5. Note that the Council Tax determination included at Appendix 4 reflects the budget position.

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

7. Approve the Council Tax determination attached as Appendix 4. The Council Tax determination:

    - Calculates the Council Tax requirement in accordance with Section 31A of the Local Government Finance Act 1992 as amended by the Localism Act 2011.
    - Calculates a basic amount of Council Tax and an amount of tax for each valuation band (the Council element) in accordance with Sections 31B and 36 of the Local Government Finance Act, 1992, as amended.
    - Sets an amount of Council Tax for each category of dwellings in each valuation band in accordance with Section 30 of the Local Government Finance Act, 1992.

8. Approve the Treasury Management Strategy including borrowing requirement and strategy, Annual Investment Strategy, Prudential and Treasury Indicators, Minimum Revenue Provision strategy included at Appendix 5.

9. Approve the Collection Fund Budget for 2023/24 as set out in Appendix 6 to this report.

Wards Affected: **All**

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

Manchester Strategy outcomes	**Summary of the contribution to the strategy**
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	This report presents to Council the proposed Revenue Budget and consequent Council Tax for the City. Whilst this has no direct implications for the Our Manchester Strategy outcomes a balanced budget is a pre-requisite to the provision of the council services that support the outcomes and includes some transfer
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	of resources to support key council objectives.
A liveable and low carbon city: a destination of choice to live, visit, work	
A connected city: world class infrastructure and connectivity to drive growth	

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

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

The approval sought above is a pre-requisite to setting a revenue budget for 2023/24. The revenue budget incorporates provision for financing of borrowing undertaken to fund capital expenditure.

Financial Consequences – Capital

Details of the proposed Capital Programme for the next five years were approved at Executive on 15 February 2023 and any financial implications are contained within the body of the report and attached schedules.

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Background documents (available for public inspection):

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

Provisional and final Local Government Finance Settlement papers;

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

Reports to the Executive on 15 February 2023, including appendices, available here, entitled;

- Medium Term Financial Strategy and Revenue Budget 2023/24
- Corporate Core Budget 2023/24
- Children and Education Services Budget 2023/24
- Public Health Budget 2023/24
- Adult Social Care Budget 2023/24
- Neighbourhoods Budget 2023/24 (1 - Communities and Equalities Scrutiny Committee)
- Neighbourhoods Budget 2023/24 (2 - Environment and Climate Change Scrutiny Committee)
- Zero Carbon Budget 2023/24
- Homelessness Budget 2023/24
- Growth and Development Budget 2023/24
- Housing Revenue Account 2023/24 to 2025/26
- Schools Budget 2023/24
- Capital Strategy and Budget 2023/24 to 2025/26
- Treasury Management Strategy Statement 2023/24, including Borrowing Limits and Annual Investment Strategy

1. **Introduction**

1.1 At its meeting on 15 February 2023 the Executive received a series of reports which outlined the position for 2023/24 setting a balanced one-year budget in line with the Government's one year funding announcement. This reflected the budget position of the Council after the announcement of the final Local Government Finance Settlement on 6 February 2023. These reports included:

(i) A Medium Term Financial Strategy which set out the framework for the budget strategy and the implications for the Council from the Finance Settlement. The report also set out the issues and legal requirements members need to consider prior to Council finalising the budget and setting the Council Tax for 2023/24.

(ii) The budget report for 2023/24 and a detailed report from each Directorate on proposals for service change to ensure they continue to meet the Council's objectives whilst managing services within the available resource envelope.

1.2 Resources and Governance Scrutiny Committee met on 15 February 2023 to consider the full suite of budget reports along with the outcomes from the budget consultation and the Equality Impact Assessment. The Committee also considered the issues arising from individual budget reports that the chairs of the scrutiny committees wished to draw their attention to. The proceedings of the meeting and the recommendations made are set out in the minutes elsewhere on this agenda. The full suite of budget reports are listed as background documents. Members should take the contents of these into account when considering the recommendations in this report.

2. **The Revenue Budget**

2.1 The financial considerations contained within this report are based on the final Local Government Finance Settlement issued on 6 February 2023 which provided a one-year finance settlement.

2.2 The Finance Settlement was towards the positive end of expectations, although it assumes that local authorities will increase council tax by 4.99% being the 2.99% referendum limit and the 2% Adult Social Care precept.

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

2.4 In addition to the £15.396m new savings there were £2.872m of savings approved in 2021/22 (for 2023/24) which brings the total savings and mitigations for 2023/24 budget year to £18.268m.

Table 1: Savings Proposals for financial year 2023/24

	Savings Approved Last MTFP	Savings Proposed as part of 2023/24 budget setting	Total 2023/24 savings
	£'000	£'000	£'000
Children's	1,309	(4,411)	(3,102)
Adult Social Care	(3,477)	(4,142)	(7,619)
Public Health	0	(730)	(730)
Corporate Core	(304)	(565)	(869)
Neighbourhoods (inc. Homelessness)	(100)	(1,789)	(1,889)
Growth and Development	(300)	(959)	(1,259)
Corporate budgets	0	(2,800)	1,000
Total	(2,872)	(15,396)	(18,268)

2.5 The final investment and growth proposals are detailed in the directorate budget reports elsewhere on this agenda and listed in Appendix 2. The summary position by directorate is shown in table two.

Table 2: Investment, Pressures and Growth Proposals 2023/24 to 2025/26

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

2.6 The updated position is set out in Table 3 below.

Table 3: Summary of Budget Position 2022/23 (latest) and 2023/24 (proposed)

	Revised 2022/23	2023/24
	£'000	£'000
Resources Available		
Business Rates Related Funding	235,553	374,725
Council Tax	208,965	217,968

	Revised 2022/23	2023/24
	£'000	**£'000**
Grants and other External Funding	104,559	126,439
Use of Reserves	141,522	17,087
Total Resources Available	**690,599**	**736,219**
Resources Required		
Corporate Costs:		
Levies *	67,871	70,060
Contingency	600	600
Capital Financing	39,507	39,507
Transfer to Reserves	24,638	1,335
Sub Total Corporate Costs	*132,616*	*111,502*
Directorate Costs:		
Additional Allowances and other pension costs	7,316	8,566
Insurance Costs	2,004	2,004
Inflationary Pressures and budgets to be allocated	(7,169)	22,586
Directorate Budgets	555,832	591,561
Subtotal Directorate Costs	*557,983*	*624,717*
Total Resources Required	**690,599**	**736,219**
Shortfall / (surplus)	**0**	**0**

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

2.7 The budget report for 2023/24 also provided details of proposed movements to and from reserves including those being used to support the revenue budget. The detailed updated schedule of reserves is attached at Appendix 3.

3 Setting the Council Tax for 2023/24

3.1 The Localism Act 2011 abolished council tax capping powers and replaced them with a requirement for an authority to hold a council tax referendum if it increases its council tax by an amount exceeding the limit set out in principles determined by the Secretary of State and approved by the House of Commons.

3.2 The final Local Government Finance Settlement on 6 February 2023 confirmed that for 2023/24, local authorities will be able to increase their relevant basic amount of council tax (average Band D council tax, excluding local precepts) by up to 3% without having to hold a referendum.

3.3 Local authorities with responsibility for Adult Social Care can increase their council tax by up to 2% on top of the 3% core principle.

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

3.5 This report is prepared on the basis that Manchester's Council Tax will increase by 4.99% in 2023/24; 2.99% attributable to the Council element and 2% for the Adult Social care precept. This equates to a Band D charge of £1,618.25 (an increase of £76.91 from 2022/23).

3.6 The Greater Manchester Mayoral General Precept has been confirmed at £107.95 for a Band D property, comprising of £76.20 for functions previously covered by the Fire and Rescue Authority (an increase of £5.00 from 2022/23) and £31.75 for other Mayoral General functions including bus reform (no change from 2022/23).

3.7 The Greater Manchester Mayoral Police and Crime Commissioner Precept will increase by £15.00 to £243.30 for a Band D property which is in line with the flexibility provided by the Government to all Police and Crime Commissioners.

3.8 The Council Tax resolution is attached as Appendix 4.

4 Prudential indicators

4.1 As part of the Prudential Framework the council is required to prepare a number of financial indicators to show that capital investment and treasury management activity is prudent, affordable and proportionate. The proposed Prudential Indicators for 2023/24 to 2025/26 are shown in Appendix 5.

5 Collection Fund Budget

5.1 Attached for approval at Appendix 6 is the proposed collection fund budget for 2023/24. The collection fund budget includes income and expenditure relating to council tax and business rates.

6 Robustness of the Budget

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

6.2 The Deputy Chief Executive and City Treasurer has a duty to report on the robustness of the estimates made for the purposes of the calculation of Council Tax and the adequacy of the financial reserves. The detailed assessment is set out in the S25 Report which forms part of the Medium Term Financial Strategy. As reported to the Executive the Deputy Chief Executive and City Treasurer remains satisfied that the assumptions on which the budget has been proposed are manageable within the flexibility allowed by the General Fund balance. This and the fact that the Council holds other reserves that can be called on if necessary, means that the Deputy Chief Executive and City Treasurer is confident that overall the budget position of the Council can be sustained within the overall level of resources available. However, to the degree that the budget savings are not achieved in a timely manner and reserves are called on to achieve a balanced position, the future year's savings will be prejudiced, and further savings will need to be identified and implemented, including to replace reserve drawn downs, in order to ensure these are sufficient for future years.

Council 3 March 2023
Council Tax Resolution for 2023/24
Appendix 1: Savings Proposals 2023/24 to 2025/26

Savings Proposals 2023/24 to 2025/26

Summary overview

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

Adults Services:

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

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

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

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

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

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

Public Health

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

Children's Services

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

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

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

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

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

Neighbourhood Services

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

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

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

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

Homelessness

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

Corporate Core

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

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

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

<u>Growth and Development</u>

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

Council 3 March 2023
Council Tax Resolution for 2023/24
Appendix 2: Investment, Pressures and Growth Proposals 2023/24 to 2025/26

Summary overview

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

Adult Social Care

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

Children's Services

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

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

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

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

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

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

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

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

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

Neighbourhoods

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

Homelessness

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

Corporate Core

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

Growth and Development

Service	Investment Description	Type of Investment	Amount of Investment 2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000
City Centre Regen	It is proposed to invest £300k to provide additional resources to enable capacity to support the establishment of a new team within City Centre Growth and Infrastructure, and to provide additional capacity to the Highways Development Specialist team. The teams will work closely together to ensure that an integrated and holistic	Investment	300	0	0	**300**

	approach is taken to the development and delivery of strategic infrastructure across the city, with an initial focus on the development and delivery of our sustainable and active travel programmes and driving forward delivery of our Clean Air and net-Zero Carbon transport aims in line with Our Manchester Strategy. These roles will ensure alignment of scheme delivery, for all our residents, in line with our 2038 net-zero carbon and 2040 Strategy transport commitments.					
Total Growth and Development			**300**	**0**	**0**	**300**

Council 3 March 2023
Council Tax Resolution for 2023/24
Appendix 3: Reserves Forecast 2023-26

Reserves Forecast 2023-26

			Forecast Closing Balance				
	Forecast Closing Balance Mar-23	Withdraw	Addition	Mar-24	Mar-25	Mar-26	Purpose
	£000	£000	£000	£000	£000	£000	
Schools Reserve	**14,000**	0	0	**14,000**	**14,000**	**14,000**	
General Fund Reserves							
Statutory Reserves	**19,480**	(13,436)	9,350	**15,394**	**11,330**	**9,389**	
Earmarked Reserves	**301,188**	(65,232)	26,198	**262,154**	**198,640**	**138,183**	
General Fund Reserve	**23,527**	0	0	**23,527**	**23,527**	**23,527**	
Total General Fund	**344,195**	**(78,668)**	**35,548**	**301,075**	**233,497**	**171,099**	
Housing Revenue Account Reserves:							
Housing Revenue Account General Reserve	**58,950**	(21,654)	0	**37,296**	**11,542**	**10,037**	
Major Repairs Reserve	**4,173**	0	0	**4,173**	**4,173**	**4,173**	
HRA PFI reserve	**10,000**	0	0	**10,000**	**10,000**	**10,000**	
HRA Residual liabilities fund	**24,000**	0	0	**24,000**	**24,000**	**24,000**	
Housing Insurance reserve	**2,500**	0	0	**2,500**	**2,500**	**2,500**	
Total HRA	**99,624**	**(21,654)**	**0**	**77,970**	**52,216**	**50,711**	
TOTAL RESERVES	**457,820**	**(100,322)**	**35,548**	**393,045**	**299,714**	**235,811**	
SCHOOLS RESERVE							

	Forecast Closing Balance						
	Forecast Closing Balance Mar-23	Withdraw	Addition	Mar-24	Mar-25	Mar-26	Purpose
	£000	£000	£000	£000	£000	£000	
LMS Reserve	**14,000**	0	0	**14,000**	**14,000**	**14,000**	School balances assumed year-end position. These are not Council resources and so cannot be used by MCC.
Sub Total Schools	**14,000**	**0**	**0**	**14,000**	**14,000**	**14,000**	
STATUTORY RESERVES							
Bus Lane Enforcement Reserve	**6,458**	(4,992)	3,200	**4,666**	**2,874**	**1,082**	Ring-fenced reserve which can only be applied to specific transport, environmental and highways related activity.
On Street Parking	**6,364**	(8,154)	6,150	**4,360**	**2,378**	**2,342**	Ring-fenced reserve which can only be applied to specific transport and highways related activity.
Ancoats Square Reserve	**2,467**	(231)	0	**2,236**	**2,005**	**1,892**	Received from the Homes and Communities Agency to cover the revenue costs of maintaining Ancoats Square for a period of at least 25 years.
Taxi Licensing Reserve	**1,012**	0	0	**1,012**	**1,012**	**1,012**	This is a smoothing reserve to equalise the income and expenditure of running the function over financial years. Income ring-fenced by statute.
Spinningfields Commuted Sum	**629**	(9)	0	**620**	**611**	**611**	Funds received as part of an agreement to cover maintenance costs.
St Johns Gardens Contingency	**955**	(50)	0	**905**	**855**	**855**	Contribution from St Johns Gardens tenants for maintenance works
New Smithfield Market	**441**	0	0	**441**	**441**	**441**	To contribute towards funding the development plans for the market
Great Northern Square Maintenance Fund	**269**	0	0	**269**	**269**	**269**	Set up in accordance with the agreement with the developers of the site. It will be used for upgrading of the square.
Art Fund Reserve	**31**	0	0	**31**	**31**	**31**	For art purchases
Manchester Move Reserve	**210**	0	0	**210**	**210**	**210**	To managed waiting list for Registered Providers
Manchester Safeguarding	**191**	0	0	**191**	**191**	**191**	Children's Safeguarding Board activity. The Board is a joint responsibility with MCC & CCG
Hulme High Street	**283**	0	0	**283**	**283**	**283**	Historic service charge levied by Hulme High Street Ltd

	Forecast Closing Balance						
	Forecast Closing Balance Mar-23	**Withdraw**	**Addition**	**Mar-24**	**Mar-25**	**Mar-26**	**Purpose**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	
West Gorton Park Reserve	**170**	0	0	**170**	**170**	**170**	For spend on play equipment over the next 10 - 15 years
TOTAL	**19,480**	**(13,436)**	**9,350**	**15,394**	**11,330**	**9,389**	
EARMARKED RESERVES							
BALANCES HELD FOR PFI'S							
Street Lighting PFI	**0**	0	0	**0**	**0**	**0**	Established to fund the requirements over 25 years re: the PFI contract for Street Lighting service via external contractors
Temple PFI	**392**	(29)	8	**371**	**283**	**0**	Established to fund the requirements of the PFI scheme over 25 years
Wright Robinson PFI Reserve	**1,437**	(4)	40	**1,473**	**1,368**	**1,105**	PFI Scheme 25 year contract drawdown will be in future years as expenditure exceeds grant.
TOTAL	**1,829**	**(33)**	**48**	**1,844**	**1,651**	**1,105**	
MANAGING ECONOMIC AND COMMERCIAL RISKS							
Business Rates Reserve	**13,816**	(490)	8,999	**22,325**	**21,835**	**11,231**	To mitigate Business Rates income risk due to the volatility of assumptions
Airport Dividend reserve	**14,189**	(1,073)	0	**13,116**	**0**	**0**	The income in the reserve is from the Manchester airport dividend which is then used in arrears to support the Medium Term Financial Plan
Planning Reserve	**3,148**	(480)	0	**2,668**	**2,184**	**2,184**	Used to smooth the volatility of planning fee income to avoid budget pressures if fee income reduces
Investment Estate smoothing reserve	**466**	0	0	**466**	**466**	**466**	To manage budget pressures due to the volatility in investment income.
Land Charges Fees Reserve	**244**	(50)	0	**194**	**144**	**144**	To smooth the budget impact, planned to utilise in 2020/21
TOTAL	**31,862**	**(2,093)**	**8,999**	**38,768**	**24,628**	**14,024**	
INSURANCE FUND							

	Forecast Closing Balance						
	Forecast Closing Balance Mar-23	Withdraw	Addition	Mar-24	Mar-25	Mar-26	Purpose
	£000	£000	£000	£000	£000	£000	
Insurance Fund	**17,335**	(500)	0	**16,835**	**16,335**	**16,335**	The insurance fund has been established to fund risks that are self insured.
RESERVES THAT WILL BE UTILISED TO SUPPORT THE DELIVERY, FINANCING AND RISK OF THE CAPITAL STRATEGY							
Capital Fund Reserve	**81,875**	(20,112)	10,717	**72,480**	**47,880**	**23,038**	Contribution to schemes which are supporting employment and growth, future carbon reduction investments and high priority strategic development opportunities in the city. Acts as a buffer for the capital financing reserve if required
Capital Financing Reserve	**34,730**	0	0	**34,730**	**34,730**	**34,730**	Capital Financing Reserve: Held to fund expected future increases in borrowing costs linked to the Council's capital investment programme and significant level of internal borrowing. The reserve will be used to mitigate the impact on the revenue budget of increased borrowing levels in the future.
Investment Reserve	**8,888**	(2,189)	0	**6,699**	**4,470**	**2,576**	To deliver priority regeneration projects.
Town Hall Reserve	**8,502**	(3,124)	0	**5,378**	**1,951**	**1,951**	To fund revenue costs including decant costs, for the Town Hall Complex Programme
Enterprise zone reserve	**2,558**	(99)	500	**2,959**	**3,357**	**3,750**	To underwrite the borrowing costs for development in the Oxford Road Corridor
Manchester International Festival	**9,173**	(1,250)	0	**7,923**	**6,923**	**6,123**	To fund agreed future Manchester International Festivals / Factory International grant from the reserve. Grant agreement will be aligned to the Arts Council England funding cycle.
Eastlands Reserve	**7**	(4,389)	5,137	**755**	**1,823**	**823**	This reserve reflects the contribution from Manchester City Football Club and will be used for various projects including English Institute of Sport. Use of the reserve has to be agreed with Sport England.
Highways Commuted Sum	**4,305**	(89)	0	**4,216**	**4,127**	**4,038**	Contributions towards future maintenance
TOTAL	**150,037**	**(31,252)**	**16,354**	**135,139**	**105,260**	**77,028**	

	Forecast Closing Balance						
	Forecast Closing Balance Mar-23	Withdraw	Addition	Mar-24	Mar-25	Mar-26	Purpose
	£000	£000	£000	£000	£000	£000	
RESERVES HELD TO SUPPORT DELIVERY AND RISK IN THE MTFP							
Budget smoothing reserve	**48,731**	(2,300)	0	**46,431**	**36,908**	**17,758**	Planned use to smooth the impact of budget shortfalls to mitigate likely future funding reductions whilst cuts and savings are developed and implemented.
Integration Reserve	**0**	0	0	**0**	**0**	**0**	The reserve is a joint resource between Manchester City Council and NHS ICS to support the infrastructure requirements that underpin the mobilisation of the Locality Plan.
Transformation Reserve	**8,609**	(1,833)	0	**6,776**	**5,276**	**3,776**	Includes £1.5m a year for three years to fund the revenue costs of the ERP project. A balance is held to support future change programmes and the budget impact of any VER/VS costs.
Supporting Families Reserve	**2,439**	(800)	0	**1,639**	**439**	**0**	To support the Thriving Families initiative, a whole family, strengths-based approach to child protection.
Clean City	**0**	0	0	**0**	**0**	**0**	To support clean and green initiatives including litter bin installations, park clean ups, knotweed and hogweed clearances and other waste and recycling activities.
St. John's Growth Zone	**1,156**	(1,156)	0	**0**	**0**	**0**	Growth in business rates income in the St Johns footprint, used to support budget
Our Manchester reserve	**389**	(237)	0	**152**	**0**	**0**	Additional investment made available as part of the 2017-2020 budget process to drive forward the delivery of Our Manchester initiatives
Adult Social Care	**7,633**	(5,010)	0	**2,623**	**174**	**0**	To support Adult and Social Care Improvement Plan
Children's Social Care Reserve	**0**	0	0	**0**	**0**	**0**	To address pressures in social care, in particular the need to invest in early help and prevention in Children's Services and continued pressures on LAC budgets
Homelessness Reserve	**1,946**	(1,946)	0	**0**	**0**	**0**	To offset potential increases in need / demand
TOTAL	**70,903**	**(13,282)**	**0**	**57,621**	**42,797**	**21,534**	
RESERVES HELD FOR ACCOUNTING PURPOSES							

	Forecast Closing Balance						
	Forecast Closing Balance Mar-23	**Withdraw**	**Addition**	**Mar-24**	**Mar-25**	**Mar-26**	**Purpose**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	
Business Rates - COVID-19	**7,166**	(7,166)	0	**0**	**0**	**0**	Business rates relief provided over the pandemic and funded by Government. Applied to offset Collection Fund deficit in arrears.
MAES Reserve	**1,359**	(449)	0	**910**	**910**	**910**	To fund Manchester Adult Education Services (MAES)
Children's Services Reserve	**3,402**	(2,797)	0	**605**	**0**	**0**	Various Children's grants being used over more then one year
Collection Initiatives Reserve	**3,489**	(777)	0	**2,712**	**1,712**	**1,712**	Previous years underspends and one-off grant funding, to be fund ongoing Resident and Welfare Support programmes.
English Partnership (Homes and Communities Agency)	**569**	(90)	0	**479**	**479**	**479**	HCA approval required to Fund Development appraisal and Eastland's Project team
Other Grants and Contributions - Neighbourhood Services	**619**	0	0	**619**	**619**	**619**	Various local Environment scheme and initiatives i.e. 'clean up campaigns'
Other Grants and Contributions- Growth and Development	**199**	0	0	**199**	**199**	**199**	Unspent grants received in previous year
Fraud Fund	**136**	(68)	0	**68**	**0**	**0**	Unspent grant received in previous year
Deprivation of Liberty Grant	**149**	(149)	0	**0**	**0**	**0**	Unspent grant received in previous year
Asylum Seekers	**359**	(92)	0	**267**	**267**	**0**	This will fund the Local Authority Asylum Support Officer (LAASLO) project.
Flood management reserve	**37**	(37)	0	**0**	**0**	**0**	Unspent grant received in previous year
Department for Transport Grants Reserve	**33**	0	0	**33**	**33**	**33**	Unspent grant received in previous year
Afghan Families	**1,000**	(1,000)	0	**0**	**0**	**0**	Unspent grant funding for Afghan families in the city to provide support and temporary accommodation until a permanent offer is identified. This will be applied in 2023/24
Ukrainian Families	**1,000**	(1,000)	0	**0**	**0**	**0**	Unspent grant funding for Ukrainian families placed in sponsor homes. This provides support for a 12 month period from arrival date and will be applied in 2023/24

	Forecast Closing Balance						
	Forecast Closing Balance Mar-23	Withdraw	Addition	Mar-24	Mar-25	Mar-26	Purpose
	£000	£000	£000	£000	£000	£000	
Local Authority Housing fund	**980**	(980)	0	**0**	**0**	**0**	Unspent grants funding to provide housing and accommodation to Afghan and Ukrainian families currently supported with temporary accommodation arrangement. This will be applied in 2023/24
TOTAL	**20,497**	**(14,605)**	**0**	**5,892**	**4,219**	**3,952**	
OTHER SPECIFIC RESERVES	**0**			**0**			
Making Manchester Fairer	**4,410**	(2,430)	0	**1,980**	**1,080**	**1,080**	Funding for Making Manchester Fairer including kickstarter schemes
Fleet Maintenance Reserve	**67**	(92)	25	**0**	**0**	**0**	Reserve created for smoothing the impact of vehicle repair and maintenance costs.
Cleopatra Reserve	**250**	(130)	0	**120**	**0**	**0**	Balance to support legal costs relating to the CSE review programme
Newton Heath Market Reserve	**22**	0	0	**22**	**22**	**22**	To fund the future market provision
Landlord Licensing Reserve	**100**	0	100	**200**	**300**	**300**	This reserve holds the funding for investigation into poor property conditions in the private rented sector in Manchester with the purpose of improving housing conditions for tenants by enforcing compliance with statutory regulations and standards.
Selective Licensing reserve	**4**	0	117	**121**	**669**	**669**	Costs for administering the reputable landlord initiative and ensure compliance
Pension Risk Fund	**518**	0	0	**518**	**518**	**518**	To fund external pension liabilities
Nuclear Free Zone	**43**	(5)	0	**38**	**33**	**33**	General reserve/ GM contributions. At the end of the year any surplus/deficit is adjusted in the reserve
Carbon Reduction Reserve	**684**	(400)	0	**284**	**79**	**79**	To fund revenue initiatives which support the target for Manchester to become a zero carbon city by 2038 at the latest and specifically, to support the delivery of the Council's 2020-25 Action Plan
End User Device Reserve	**1,030**	0	515	**1,545**	**60**	**575**	To support ongoing ICT replacement programme.

	Forecast Closing Balance						
	Forecast Closing Balance Mar-23	**Withdraw**	**Addition**	**Mar-24**	**Mar-25**	**Mar-26**	**Purpose**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	
Councils with ALMOs Group (CWAG) Reserve	**82**	(82)	0	**0**	**0**	**0**	Held in relation to the running costs of the Council With ALMOs Group which is administered by MCC
Graves and Memorials	**97**	0	0	**97**	**97**	**97**	Money held in trust for repair and development costs for gravestones
Trading Standards Reserve	**93**	(36)	0	**57**	**21**	**21**	Specific grants such as Tobacco control, control of migration etc.
Housing Compliance Reserve (Fixed Penalty Notices)	**505**	(82)	0	**423**	**341**	**341**	Revenue collected from enforcement activity is ring-fenced to functions related to Housing Compliance.
Community Safety Reserve	**445**	(100)	0	**345**	**245**	**145**	A collection of grants the majority of which require spending plans to be agreed with key partner organisations such as GM Police.
Litter Reserve (Fixed Penalty Notices)	**132**	0	0	**132**	**132**	**132**	Under Government regulations reserve is ringfenced to a small number of specific projects.
Great Ancoats Management Improvement Reserve	**192**	(20)	0	**172**	**152**	**152**	Specific reserve for use within defined areas within Great Ancoats. Spending plans still under discussion.
Social Value Fund	**52**	(90)	40	**2**	**2**	**42**	Reserve for Social Funding income from successful tenders
TOTAL	**8,726**	**(3,467)**	**797**	**6,056**	**3,751**	**4,205**	
TOTAL EARMARKED RESERVES	**301,188**	**(65,232)**	**26,198**	**262,154**	**198,640**	**138,183**	
Grand Total General Fund Reserves	**358,195**	**(78,668)**	**35,548**	**315,075**	**247,497**	**185,099**	

Council 3 March 2023
Council Tax Resolution for 2023/24
Appendix 4: Council Tax Resolution for 2023/24

COUNCIL TAX

SETTING THE AMOUNT OF COUNCIL TAX FOR THE COUNCIL'S AREA IT IS RESOLVED:

1. That the estimates prepared by the Executive at its meeting on 15 February 2023 be approved.

2. That it be noted that the Deputy Chief Executive and City Treasurer acting under delegated powers has determined the amount of 131,615.1 as the Council Tax base for Manchester for the year 2023/24 in accordance with Section 31A (3) of the Local Government Finance Act 1992 and regulations 3 to 5 of the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012.

3. That the following amounts can be now calculated by the Council for the year 20223/24 in accordance with Sections 31A to 36 of the Local Government Finance Act 1992:

(a) £1,760,525,101	being the aggregate of the amounts which the Council estimates for the items set out in the Section 31A (2) (a) to (f) of the Act.
(b) £1,547,538,333	being the aggregate of the amounts which the Council estimates for the items set out in Section 31A (3) (a) to (d) of the Act.
(c) £212,986,768	being the amount by which the aggregate at 3(a) above exceeds the aggregate at 3(b) above, calculated by the Council, in accordance with Sections 31A(4) of the Act, as its council tax requirement for the year.
(d) £1,618.25	being the amount at 3(c) above divided by the amount at 2 above, calculated by the Council in accordance with Section 31B(1) of the Act, as the basic amount of its council tax for the year.
(e) Valuation Bands	being the amount given multiplying the amount at 3(d) above by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation band D, calculated by the Council, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings

listed in different valuation bands. The band bill is shown in the table below.

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
1,078.83	1,258.64	1,438.45	1,618.25	1,977.87	2,337.48	2,697.09	3,236.50

4. That it be noted that for the year 2023/24 the major precepting authorities have stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings shown below:

Precepting Valuation bands

Greater Manchester Mayoral Police and Crime Commissioner Precept:

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
71.96	83.96	95.95	107.95	131.93	155.92	179.91	215.90

Greater Manchester Mayoral General Precept (including Fire Services):

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
162.20	189.23	216.26	243.30	297.36	351.43	405.50	486.60

5. That, having calculated the aggregate in each case of the amounts at 3(e) and 4 above, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of Council Tax for the year 2023/24 for each of the categories of dwellings shown below.

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
1,312.99	1,531.83	1,750.66	1,969.50	2,407.16	2,844.83	3,282.50	3,939.00

1. CALCULATING THE COUNCIL TAX REQUIREMENT

Section 31A Calculations

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

1. an estimate of the Council's required gross revenue expenditure - Section 31A(2)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	HRA £	**Other £**	**Total £**
Expenditure			
Section 31A (2)(a)	117,448,000	1,593,112,768	1,710,560,768
Section 31A (2)(b)	0	600,000	600,000
Section 31A (2)(c)	0	35,548,000	35,548,000
Section 31A (2)(d)	0	13,816,333	13,816,333
Section 31A (2)(da)	0	0	0
Section 31A (2)(e)	0	0	0
Section 31A (2)(f)	0	0	0
Total Expenditure	117,448,000	1,643,077,101	1,760,525,101
Income			
Section 31A (3)(a)	(95,794,000)	(975,401,732)	(1,071,195,732)
Section 31A (3)(aa)		(341,667,000)	(341,667,000)
Section 31A (3)(b)	0	(33,232,000)	(33,232,000)
Section 31A (3)(c)	0	(1,121,601)	(1,121,601)
Section 31A (3)(d)	(21,654,000)	(78,668,000)	(100,322,000)
Total Income	(117,448,000)	(1,430,090,333)	(1,547,538,333)

1.5 Council Tax Requirement under Section 31A(4) being the amount by which the aggregate under Section 31A(2) exceeds the aggregate under Section 31A(3) is £212,986,768.

2. CALCULATING THE BASIC AMOUNT OF COUNCIL TAX

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

2.2 This calculated by applying the following formula:

$$R \div T$$

Where:

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

2.3 Calculating the Basic Amount of Council Tax

Council Tax Requirement	£212,986,768
Divided by:	
Council Tax Base	131,615.1
Band D Basic Amount of Council Tax is:	**£1,618.25**

Council 3 March 2023
Council Tax Resolution for 2023/24
Appendix 5: Prudential and Treasury Indicators 2023/24 to 2025/26

Prudential and Treasury Indicators 2023/24 to 2025/26

Please note last year’s approved figures are shown in brackets.

Treasury Management Indicators	**2023-24**		**2024-25**		**2025-26**
	%		%		%
Estimated Financing Costs to Net Revenue Stream[1]	5.49%		5.37%		5.34%
Estimated Net Income from Commercial and Service Investments to Net Revenue Stream	10.8		10.6		10.4
	£m		£m		£m
Authorised Limit - external debt					
Borrowing	1,825.1	(1,816.1)	1,811.9	(1,816.1)	1,811.9
Other long-term liabilities	190.0	(190.0)	190.0	(190.0)	190.0
TOTAL	2,015.1	(2,006.1)	2,001.9	(2,006.1)	2,001.9
Operational Boundary - external debt					
Borrowing	1,620.5	(1,698.5)	1,726.3	(1,724.0)	1,728.1
Other long-term liabilities	190.0	(190.0)	190.0	(190.0)	190.0
TOTAL	1,810.5	(1,888.5)	1,916.3	(1,914.0)	1,918.1
Estimated external debt	1,465.5	(1,572.0)	1,611.0	(1,606.0)	1,613.3
Upper limit for total principal sums invested for over 364 days	0	(0)	0	(0)	0
Estimated Capital Expenditure					
Non - HRA	377.4	(223.2)	155.7	(51.3)	22.5
HRA	49.0	(31.9)	43.7	(14.6)	11.6
TOTAL	426.4	(255.1)	199.4	(65.9)	34.1

Estimated Capital Financing Requirement (as at 31 March)					
Non – HRA	1,854.7	(1,895.8)	1,893.7	(1,898.6)	1,845.4
HRA	321.8	(321.8)	322.5	(322.6)	323.9
TOTAL	2,176.5	(2,220.6)	2,216.2	(2,221.2)	2,169.3

[1] Note that for 2024-25 onward these are based on estimated net revenue budgets.

Maturity structure of borrowing during 2023-24	Upper Limit		Lower limit	
under 12 months	70%	(70%)	0%	(0%)
12 months and within 24 months	60%	(70%)	0%	(0%)
24 months and within 5 years	40%	(60%)	0%	(0%)
5 years and within 10 years	50%	(60%)	0%	(0%)
10 years and above	80%	(90%)	30%	(30%)
Has the Authority adopted the CIPFA Treasury Management Code?				Yes

The status of the indicators will be included in Treasury Management reporting during 2023/24. They will also be included in the Council's Capital Budget monitoring reports during 2023/24.

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

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

Estimated Net Income from Commercial and Service Investments to Net Revenue Stream
The authority will set for the forthcoming year and the following financial years an estimate of new income from commercial and service investments to net revenue stream. The indicator is intended to show the financial exposure of the authority to the loss of income, and therefore the proportionality of commercial and service investment income to the authority's overall budget. This is a new indicator for 2023/24.

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

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

Authorised Limit - external debt
The local authority will set for the forthcoming financial year and the following two financial years an authorised limit for its total external debt, excluding investments, separately identifying borrowing from other long-term liabilities. Other long-term liabilities include PFI's, service concessions and finance leases. Due to the introduction of IFRS16 (Leasing) on the 1st of April 2022, more of the Council's lessee leases will be classed as finance leases and will become other long-term liabilities, therefore the value will increase from previous years. Work is underway to determine the value of this change in accounting standards, but £20.0m has been added to the indicator at this stage and will be reviewed once this work is complete. This prudential indicator is referred to as the Authorised Limit.

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

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

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

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

Estimated external debt

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

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

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

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

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

Liability Benchmark
The liability benchmark is a projection of the amount of loan debt outstanding that the authority needs each year into the future to fund its existing debt liabilities, planned prudential borrowing and other cash flows. The benchmark shows the gap between the authority's outstanding loans at future points in time and the authority's need to for borrowing (the benchmark). It can be used to identify the debt maturities needed for new borrowing in order to match to future liabilities. This is a new indicator for 2023/24.

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

Council 3 March 2023
Council Tax Resolution for 2023/24
Appendix 6: Collection Fund Budget 2023/24

COLLECTION FUND BUDGET 2023/24	**2023/24 Budget Estimate £'000**
EXPENDITURE	
COUNCIL TAX (Surplus) / Deficit B/fwd	6,052
Precepts: • Mayoral General (including Fire Services) • Mayoral Police & Crime Commissioner • City of Manchester	 14,208 32,022 212,987
Total Precepts	259,217
Council Tax Total Expenditure	**265,269**
BUSINESS RATES (Surplus) / Deficit B/fwd	14,580
Payments/Transfers: • Mayoral General (including Fire Services) • City of Manchester	 3,451 341,667
Total Payments/transfers	345,118
Business Rates Total Expenditure	**359,698**
Collection Fund Total Expenditure	**624,967**
INCOME	
COUNCIL TAX Council Tax Income Write Off of uncollectable amounts Allowance for Impairment	 268,619 (1,063) (8,339)
Council tax receivable	259,217
Contribution of Council Tax (surplus) / deficit: • Mayoral General (including Fire Services) • Mayoral Police & Crime Commissioner • City of Manchester *(Includes one third of 2020/21 in year deficit)*	 333 738 4,981
Total Contribution to Council Tax (surplus) / deficit	6,052
Council Tax Total Income	**265,269**

BUSINESS RATES Non-Domestic Business Rates Income Enterprise Zone growth above baseline Cost of Collection Allowance Losses in Collection Increase in Provision for Appeals	 378,682 (979) (1,122) (10,488) (20,976)
Business rates receivable	345,118
Contribution of Business Rates (surplus) / deficit: • Mayoral General (including Fire Services) • City of Manchester *(Includes one third of 2020/21 in year deficit)*	 146 14,434
Total Contribution to Business Rates (surplus) / deficit	14,580
Business Rates Total Income	**359,698**
Collection Fund Total Income	**624,967**
MOVEMENT ON FUND BALANCE	
Council Tax (Surplus) / Deficit C/fwd Business Rates (Surplus) / Deficit Cfwd	0 0
Collection Fund (Surplus) / Deficit	**0**